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Thailand
Voting for a clean election
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Honda's U-Turn
New ideas spur profits growth
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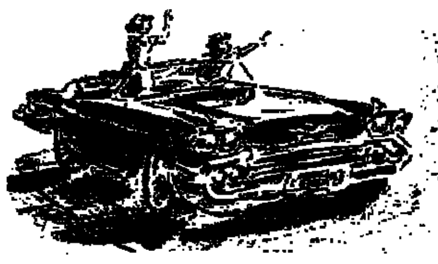

TOMORROW'S **Weekend FT**
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World Business Newspaper http://www.FT.com FRIDAY NOVEMBER 15 1996

Santer accuses UK of favouring sweatshops

European Commission president Jacques Santer accused Britain of favouring a sweatshop economy and refusing to face its responsibilities over mad cow disease. Without naming the UK, he hit out at advocates of a "return to Dickensian sweatshops" and implicitly attacked Britain for failing to act "with goodwill" over mad cow disease by "political point-scoring instead of admitting their basic responsibility". Page 14

Corruption investigator probed: Former Milan prosecutor Antonio Di Pietro, hero of the "Clean Hands" corruption probe, quit as an Italian government minister after being put under investigation for allegedly taking bribes.

Nokia shares jumped almost 10 per cent after the Finnish mobile phones concern reported third-quarter pre-tax profits up 14 per cent to FM963m ($210m) on a 58 per cent rise in mobile handset sales. Page 15

Apple courts software venture: Computer maker Apple is trying to clinch a deal to buy Be, a Silicon Valley software venture that has developed a new operating system for PCs. Apple has so far developed its own software. Page 15

Spain moves towards Nato: Spain's government won parliamentary approval to start negotiations to join Nato's integrated military command. Supporters included former socialist prime minister Felipe González, who previously opposed the move. Page 2; Nato in talks with EU, Page 14

Passports held: Former East German leader Egon Krenz and three ex-Politburo members were ordered to surrender their passports when a court ruled they were likely to flee their trial concerning deaths at the Berlin Wall and border with West Germany. Page 2

East Timor protest: Five thousand people marched through Dili, East Timor's capital, in a second day of protests against Indonesian criticism of Nobel peace prize winner Bishop Carlos Belo. The bishop was verbally attacked after he was quoted as saying East Timorese had been treated like "mangy dogs" since Indonesia invaded the territory in 1975.

Death sentence for businessman: A death sentence on a Chinese businessman with close ties to Deng Xiaoping was upheld on appeal. Zhou Beifang, ex-head of a Hong Kong-based arm of China's Shougang steel works, could have his death sentence for bribery commuted to life in prison for good behaviour. Page 4

Aid held back: The International Monetary Fund and the World Bank postponed payments of some $47m in aid to Cambodia, saying the country's efforts to reform its logging policy were inadequate. Destruction of forests is widespread. Page 4

Good results for Casio, Sanyo: Two leading Japanese electrical goods companies reported strong interim profits, thanks to continued export growth and revival of domestic demand. Page 15

Jockey shot: Hungarian champion jockey Csaba Lakatos was shot and badly wounded at a Budapest race track on Wednesday night in an attack police believe was linked with serious crime.

US 'set to drop spy charges': The US was expected to drop charges against ex-KGB agent Vladimir Galkin, accused of conspiring to obtain information on the "Star Wars" defence system. [illegible] protested publicly and threatened retaliation after Galkin's arrest on October 29.

[illegible] jailed for in-flight fracas: A Florida [illegible] who got drunk and became violent on a transatlantic flight from Orlando was sentenced to two years in prison in Manchester, northern England. James Mullahy, 37, was arrested at Manchester airport last month.

African ostrich ban: The European Union is banning imports of South African ostrich meat after reports that it carries a rare, potentially fatal disease.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

■ STOCK MARKET INDICES		
New York lunchtime		
Dow Jones Ind Av	6,303.68	(+29.44)
NASDAQ Composite	1,268.99	(+8.27)
Europe and Far East		
CAC40	2,218.8	(+0.99)
DAX	2,777.01	(+3.58)
FTSE 100	3,926.1	(-0.8)
Nikkei	21,031.04	(+51.60)
■ US LUNCHTIME RATES		
Federal Funds	5⅜%	
3-mth Treas Bills: Yld	5.145%	
Long Bond	101	
Yield	6.42%	
■ OTHER RATES		
UK: 3-mo Interbank	6⅝	(6¾%)
UK: 10 yr Gilt	99⅞	(98⅝)
France: 10 yr OAT	104.98	(104.62)
Germany: 10 yr Bund	103.01	(102.69)
Japan: 10 yr JGB	102.421	(102.569)
■ NORTH SEA OIL (Argus)		
Brent Dated	$23.235	(22.875)

■ GOLD		
New York Comex		
(Dec)	$381.8	(384.2)
London:		
close	$382.65	(383.85)
■ DOLLAR		
New York lunchtime		
£	1.6635	
DM	1.51075	
FFr	5.10333	
SFr	1.27675	
Y	111.375	
London:		
£	1.6634	(1.6532)
DM	1.5093	(1.5068)
FFr	5.1006	(5.0940)
SFr	1.2743	(1.2692)
Y	111.385	(111.62)
Tokyo close:	Y 111.625	
■ STERLING		
DM	2.5106	(2.4910)

Albania	LEK 275	Gibraltar	£0.75	Lithuania	Lts 18.00	Qatar	QR13.00		
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR13		
Bahrain	Din1.300	Hong Kong	HK$20	Malta	Lm0.70	Singapore	S$4.30		
Belgium	BFr75	Hungary	Ft270	Morocco	MDh18	Slovak Rp	Sk75		
Cyprus	C£1.30	Iceland	IKr260	Neth	Fl 4.75	S. Africa	R12.00		
Czech Rp	Kc70	India	Rs75	Nigeria	Naira125	Spain	Pta250		
Denmark	DKr20	Israel	Shk9.00	Norway	NKr22.00	Sweden	SKr20		
Egypt	E£5.00	Italy	L3200	Oman	OR1.75	Switz	SFr3.70		
Estonia	EKr 28	Japan	Y500	Pakistan	Rs50	Syria	S£90.00		
Finland	FM18.00	Jordan	JD1.75	Poland	Zl 6.00	Tunisia	Din2.000		
France	FFr12.00	Kuwait	Fils.750	Portugal (mainland)		Turkey	L120,000		
Germany	DM4.00	Lebanon	LL3500		Es265	UAE	Dh13.00		

Merger scheme for telecoms groups will be aimed at attracting western investors

Russia prepares biggest sell-off

By Nicholas Denton in London and John Thornhill in Moscow

The Russian government and western investment banks led by N.M. Rothschild have devised a highly controversial scheme to fuse the country's two largest long-distance telecoms operators and then sell $1bn worth of shares in the merged company.

Under the proposed deal, to be announced later this month, Russia intends to combine Rostelecom, the dominant national company, with Svyazinvest, the embryonic second carrier which was created to stimulate competition.

By reconstituting Rostelecom's monopoly, the architects of the plan aim to increase its attractiveness to western institutional investors and pave the way for an international public offering – Russia's largest – next year.

The combined company is believed to be worth at least $4bn and the government, which owns 100 per cent of Svyazinvest and 51 per cent of Rostelecom's voting shares, is expected to sell about 25 per cent of the merged company.

Internationale Nederlanden Groep and ABN Amro, two Dutch banks linked with the consortium advising Moscow, are considering a bridging loan that would bolster Russian government revenues in 1996 and be repaid once the public offering occurs.

The scheme has run into strong opposition, however, from officials of the World Bank, which was financing the western advisers working on Russian telecoms privatisation. They say the deal threatens to stifle the growth of private companies such as St Petersburg Long Distance.

Mr Vladimir Konovalov, chief economist for the World Bank in Moscow, said: "This deal puts a very big question mark over the government's commitment to privatisation and the encouragement of efficiency and competition."

The proposal, which could still be derailed by Russia's political uncertainty, is the latest twist in the former communist country's spasmodic efforts to privatise, liberalise and develop its telecoms sector. In 1992, when the country had fewer than 1,000 international lines, Rostelecom was broken out of the ministry of communications and given control of the long distance and international network.

The government then created an alternative provider by pooling its stakes in 85 regional telephone operators within Svyazinvest and giving the new entity a licence to compete with Rostelecom.

Late last year Moscow attempted to bolster Svyazinvest by inviting western telecoms companies to invest in the venture, but the proposed sale – a $630m injection giving Stet of Italy a 25 per cent stake – fell through.

Rostelecom's politically influential management, which constantly opposed the entry of foreign telecoms companies into the Russian market, now appears to have engineered a takeover of its rival.

N.M. Rothschild, the UK investment bank which has a joint venture with ABN Amro, and ING Barings, part of Internationale Nederlanden Groep, advised last year on the Svyazinvest privatisation but have transferred their efforts to the new proposal.

A sale to western investment funds that would preserve the independence of the Russian telecoms companies became more feasible after the gas company Gazprom raised $429m in an international share offer in October.

Mr Alfred Kokh, chairman of Russia's State Property Committee, appeared to commit the government to the merger and flotation when he acknowledged the accuracy of the leak and confirmed the existence of the plan.

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France to form Zaire vanguard

Doubts over role of 15,000-strong multinational force

By George Parker in London and Michael Littlejohns in New York

France said last night its troops would arrive in eastern Zaire this weekend, forming the vanguard of an international force to assist relief operations aimed at saving the lives of up to 1m Hutu refugees in Zairean camps.

But as preparations got under way for the despatch of a multinational force of up to 15,000, doubts remained about its mandate and the role it was expected to play.

Earlier in the day, heavy fighting around the eastern Zairean town of Goma underlined the hazards facing the mission.

"A lot more work needs to be done over the next few days to clarify the terms of the mandate to ensure that it is limited to humanitarian aid," said Mr Malcolm Rifkind, UK foreign secretary, after a meeting with European Union counterparts in Paris yesterday.

But the US, Britain and France have all made clear there are no plans for the force to disarm Hutu militia in the camps, which hold nearly 1m refugees. Aid agencies yesterday said that if this was not done it would not be possible to distribute relief supplies.

Canada, which will lead the intervention force under the command of Lt Gen Maurice Baril, has drafted a resolution for submission to the United Nations Security Council, which was holding consultations last night. US president Bill Clinton has reserved the right to review the final intervention plan before committing up to 4,000 US troops.

Refugees arrive at the city of Goma in eastern Zaire yesterday after fleeing fighting between rebel and Hutu forces in the west of the country Reuters

The UN said Mr Boutros Boutros Ghali, secretary-general, had been informed that South Africa, Cameroon, Congo, Ethiopia, Eritrea, Mali and Senegal would contribute to the force.

Mr Michael Portillo, UK defence minister, said it was crucial that the force, to undertake Operation Phoenix Tusk, should not allow itself to be drawn into the conflict between Tutsi rebels and the Hutu militia, who effectively control the 1m refugees for whom relief supplies are is intended.

Mr Thabo Mbeki, South African vice-president, expressed misgivings about the role Pretoria might be expected to play.

"We wouldn't want to send troops to fight a war. There must be no shooting... it is first important for a ceasefire to hold," he told a news conference in Brussels, adding that South Africa would not commit troops to the region until a clear mandate and strategy had been agreed.

A 20-strong UK reconnaissance party will fly to Zaire in the next 24 hours, and a senior British military planner is in New York to prepare a plan with other western governments.

No neat answers, Page 7; Editorial Comment, Page 13

Nato and EU discuss push for new members

By Lionel Barber in Brussels

Nato and the European Commission have held talks on a "grand strategy" to manage enlargement of Nato and the European Union to central and eastern Europe.

As the US drives forward Nato expansion in the face of Russian objections, European countries are worried that rejected Nato candidates will seek compensation in the form of EU membership.

Pressure for closer coordination is also building from smaller European countries which feel that the US, Britain, France, and Germany have formed an inner circle to handle contacts with Moscow over the expansion of the western military alliance.

The informal exchange between Nato and the European Commission took place two weeks ago in Brussels. Mr Javier Solana, Nato secretary-general was present, together with Nato ambassadors, and Mr Hans van den Broek, European commissioner responsible for enlargement.

Senior Brussels diplomats said the meeting was the first of its kind and broke cold war tradition limiting contacts between the two organisations.

Several factors are propelling both sides toward closer co-operation beyond their joint efforts in Bosnia.

As a result of US pressure, Nato governments are expected to select candidates for membership of the 16-strong military alliance in mid-1997, with a view to entry in 1999.

The Czech republic, Poland, and Hungary head the shortlist of likely Nato members, but the US has told the Baltic states they will have to wait in deference to Russia.

To soften the blow and to accelerate pressure for rapid EU enlargement eastwards, Washington is pressing a reluctant EU to commit itself to admitting Estonia, Latvia, and Lithuania in the first wave of new EU members by the turn of the century.

The proposed horse-trade has unsettled the Commission and other EU member states which would prefer to defer choices on EU enlargement until late 1997 or early

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GUS acquires US credit rating agency for $1.7bn

By Christopher Price and Peggy Hollinger in London

Great Universal Stores yesterday added Experian, one of the biggest credit rating and information agencies in the US, to its mail order and Burberrys luxury goods empire in a $1.7bn (£1.04bn) deal.

It is GUS's biggest acquisition for 27 years. The purchase surprised the market, which had been expecting GUS to extend its interests in the UK retail market. Its shares rose 58½p to 648p.

Experian, subject to a buy-out by venture capitalists for $1.1bn last February, will be merged with the UK group's CCN credit rating and information group.

"We have invested in the fastest-growing part of our group. This is an extraordinary opportunity to put together a world leading global business," said Lord Wolfson of Sunningdale, chairman of GUS, yesterday.

GUS is paying $900m in cash and $800m in debt to fund the deal. Even so, the group will still have cash facilities of £600m before debt, which Lord Wolfson said would retain the company's ability to be "flexible should any other opportunities arise". Net cash after the deal will be £143m.

The deal will help dispel the reputation for caution GUS developed under the chairmanship of Lord Wolfson of Marylebone, Lord Wolfson's cousin, who retired in August aged 68.

The company said the deal would enhance earnings in its first year. Analysts raised pre-tax profit forecasts for GUS by about 5 per cent to £600m for the year to March 31 1997. Many think there will be a similar rise to £675m the following year.

It will also increase the proportion of profits from the information division from 5 to 17 per cent of the group's total. It will also reduce the company's dependence on the mature mail order business.

Experian, which spans consumer and business credit as well as databases in the motor vehicle, real estate and direct marketing areas, made estimated profits of $114m this year on sales of $570m. By contrast, CCN made profits of $40m on sales of $194m.

Lord Wolfson admitted it would have been better to have bought the company from TRW, the original owners, in February. Changes had been made since then, he added, such as the addition of the File One database, one of the biggest consumer files in the industry, at a cost of $100m. The US company had made cost savings of $30m a year, which would drop through to the bottom line.

CCN is involved in similar

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Brussels fails to win more power in mergers

By Emma Tucker in Brussels

An attempt by the European Commission to gain extra powers in the vetting of company mergers collapsed yesterday after EU member states refused to cede sovereignty in the administration of competition policy.

Seven states refused to back a lowering of the turnover thresholds above which a merger must be examined by the competition authorities in Brussels.

Their action is likely to disappoint industry, which would generally like more mergers to fall under the remit of the Commission, whose streamlined approach has strict deadlines.

Under existing rules, mergers are referred to Brussels only if the combined global turnover of the companies involved is more than Ecu5bn ($6.4bn) and at least two of the merging companies have a combined turnover of more than Ecu250m outside the Union.

Mr Karel Van Miert, the competition commissioner, had proposed a reduction in the thresholds to Ecu2bn and Ecu100m, arguing that too many mergers with a significant impact on the single market were falling outside the scope of the Commission's merger taskforce.

But many member states, particularly those with developed competition policies of their own such as Germany and the UK opposed the plan. Denmark, Spain, France, Ireland, and Sweden were also against.

A second proposal, giving the Commission power to vet mergers involving more than one national competition authority, remains on the table. The idea is to promote the principle of a "one-stop-shop" allowing companies involved in a complicated merger to notify one central authority, rather than all the national authorities involved.

Most ministerial delegations in Brussels yesterday agreed with the Commission's analysis that there was a problem for companies involved in multiple notifications, but were not yet convinced that Brussels had produced the right method for dealing with it.

At the same meeting, industry ministers agreed a new set of rules governing state aid to the steel sector, designed to last until 2002. After that date, the steel sector will in principle be subject to the same rules that apply to aid to all others.

The rules agreed yesterday are designed to prepare the industry for its harsher future, by toughening up the existing code. It allows steel companies to benefit only from aid destined for specific purposes, such as research and development, environmental protection, and closures.

Ministers also discussed revisions to general rules on controlling state aid. These call for a refocusing of priorities on big state aid cases that have a significantly distorting affect on competition in the single market.

The proposals also call for greater transparency through the establishment of a register of cases which have been the subject of Commission decisions, as well as production of a more rigorous set of procedures with clear deadlines, along the lines of those used for vetting mergers.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850. Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd. London and F.T. (Germany Advertising) Ltd. London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boetie, 75008 PARIS. Telephone (01) 5376 8254. Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
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Deflation is recorded in country for first time since 1959

Annual prices fall in Sweden


Finance minister Asbrink: "extremely positive"

By Greg McIvor in Stockholm

Sweden yesterday announced a fall in annual consumer prices in October, the first time since 1959 that deflation has been recorded in what is traditionally one of Europe's most inflation-ridden economies.

Statistics Sweden said consumer prices had fallen 0.1 per cent year-on-year, compared with an inflation rate at the same point last year of 2.7 per cent. Prices from September to October were unchanged.

Two factors were identified as driving the downward trend: a reduction in January of value added tax on food from 21 to 12 per cent, and a substantial drop in interest rates.

Underlying prices, excluding indirect subsidies and taxes, fell even further, dropping 1 per cent. The decline, achieved in spite of average industrial wage increases this year of 6 per cent, was primarily due to the impact of lower interest rates.

Average interest rates for householders had fallen 11 per cent, Statistics Sweden said, reflecting the successive lowering of the central bank's key repo rate, from 8.91 per cent to 4.6 per cent since the turn of the year.

Mr Erik Asbrink, finance minister, greeted the news as "extremely positive". "It is not deflation in the sense that we are on the brink of an economic downturn," he said. "On the contrary, there are increasingly strong signs that we are on the verge of an economic upswing."

Financial markets reacted positively amid speculation that the fall in prices would prompt further interest rate cuts. Long-term bond yields eased 10 basis points to 7.16 per cent and the krona firmed against the D-Mark.

Mr Lars Heikensten, central bank deputy governor, said there was no change in its belief that room existed for further repo rate cuts but more information on economic trends was required. He conceded inflation was outside the bank's target range of 1-3 per cent, but the underlying rate was estimated at 1.5-2 per cent.

Economists predicted prices would rise in 1997 once temporary factors such as interest rate cuts and lower VAT on food wore off.

Mr Carl Hamilton, chief economist at Handelsbanken, Sweden's leading bank, said the risk of wage inflation would remain once gross domestic product growth picked up unless Sweden's collective wage bargaining model was reformed.

Premier rebuked over Rushdie

By Hilary Barnes in Copenhagen

The Danish parliament yesterday reprimanded the prime minister for his handling of the visit to Copenhagen by Mr Salman Rushdie, the UK author who is under an Iranian death threat.

Mr Nyrup Rasmussen, the Social Democratic party leader who heads a minority centre-left coalition, accepted responsibility for a government decision last month to refuse Mr Rushdie entry to receive a literary prize on the grounds of security risk.

The day after this decision was announced, the prime minister changed his mind in the face of a barrage of criticism in Europe alleging cowardice in the face of Iranian-inspired terror.

In parliament yesterday, the three coalition and six opposition parties approved a resolution expressing "clear criticism" of the way the visit was handled.

"No government has ever accepted a resolution like this before [without resigning]," said Mr Hans Engell, leader of the opposition Conservative party.

The government was saved from a vote of no confidence by the two leftwing opposition parties, the Socialist People's party and the Unity List, which drew up the resolution with the government.

Denmark's attitude to the Iranian regime was tempered for many years by the fact that it exported more cheese to Iran than to any other country. In the 1980s, exports of feta exceeded 100,000 tonnes a year, but have dwindled to 6,800.

The affair has damaged the reputations of both the prime minister and the government so severely that Danish political commentators have begun to speculate on whether the government can survive until the next election is due in 1998.

Greek government aims to step up pace to catch Emu

Kerin Hope assesses the chances of Athens reaching its goal

Mr Yannos Papantoniou, Greece's economy minister, accepted long ago that his country had no chance of joining European monetary union at the start, but he has staked his political reputation on achieving membership early next century.

Both the governing Panhellenic Socialist Movement and opposition conservatives say they are committed to joining the single currency at the earliest possible date. Mr Papantoniou says this could be the year 2000 if Greece makes rapid progress on meeting the convergence targets but should not be later than 2001.

"If we miss the opportunity in 2001," he said on television recently, "we will have to wait for EU enlargement and the arrival of Hungary, Poland and the Czech Republic. This would effectively mean losing the advantages of 20 years of EU membership."

Greece is the only Union member so far to be excluded from the launch of monetary union in 1999. The European Commission's latest report on convergence makes clear that it has made the least progress towards meeting the Maastricht criteria for Emu, though both the inflation rate and budget deficit have fallen steadily over the past three years.

The Socialists now have the political muscle to accelerate change, thanks to a comfortable general election victory in September. Mr Costas Simitis, the prime minister, enjoys a high approval rating, while the opposition New Democracy party is riven by infighting over a new leader.

"It's the best moment in years for taking tough decisions," says a former cabinet minister. "Business is backing the Socialists for the first time, the economy is growing and the conservatives are in complete disarray."

Mr Papantoniou's economic team has put together an ambitious budget for 1997 which will be approved by parliament before Christmas. The budget aims at ensuring that Greece can reach the Maastricht targets in 1998, one year later than its partners. However, the Socialists also want to keep their campaign promise of higher pensions and real wage increases next year, and there is little indication that the budget will include the substantive spending cuts the Commission says are crucial.

On taking office, the Socialists abandoned Greece's first convergence plan, prepared by a conservative predecessor, as too harsh. The current version is still criticised by unions opposed to cutting jobs in the overstaffed public sector and floating public sector companies on the Athens stock exchange.

It calls for reducing the general budget deficit from 7.6 per cent of gross domestic product this year to 2.9 per cent in 1998, just within the 3 per cent Maastricht treaty requirement. Inflation is projected to fall from 8.3 per cent to 2.9 per cent over the same period.

However, the government's apparent reluctance to reduce expenditure or speed up privatisation is fuelling scepticism about Greece's chances of reaching the targets. "The measures needed to get to Emu are painful and the political will to inflict pain doesn't appear to be there," says Mr Victor Pisante of Telesis Securities in Athens. "There's a feeling of disappointment about the delays in implementing reform and the mood is becoming more impatient."

The public debt, now at 110 per cent of GDP, is gradually declining but is not expected to approach the 60 per cent Maastricht requirement for another decade.

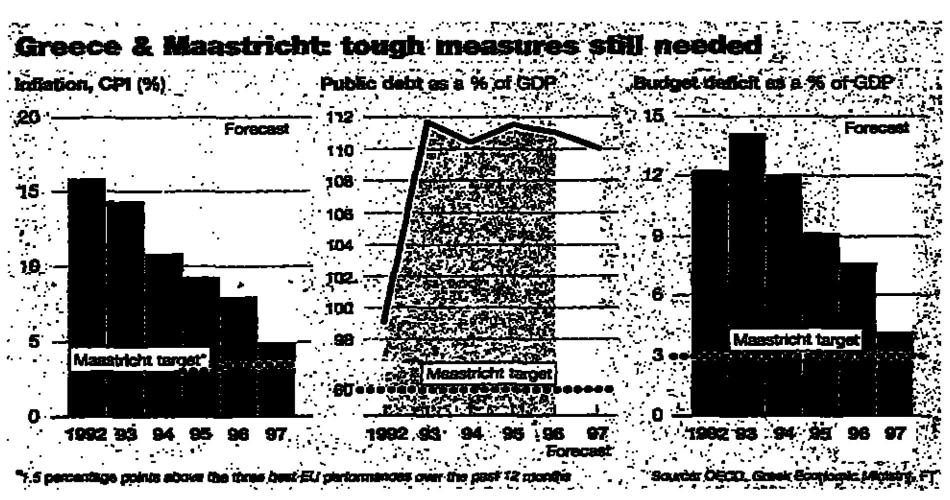
Greece's long-term interest rates, at around 15 per cent, are still well adrift of EU norms and are linked to rates on the 12-month treasury bill. However, the government intends to test the waters next week with an auction of fixed coupon bonds with either a three- or five-year maturity.

Critics say the Socialists' policy of tightening fiscal controls and using administrative measures to hold spending increases below inflation cannot deliver the necessary savings in just two years.

"The government has been taxing and spending and we haven't seen any radical structural reforms. If they don't come soon, confidence will start to recede and the gains of the past couple of years will evaporate," says Mr John Bravos, investment banking officer at Bank of America.

Next year's budget will aim to reduce government outlays by about 1.5 percentage points of GDP, mainly through tightening financial controls on local government and social welfare organisations. But the main thrust will be on boosting revenues through the abolition of tax breaks and a fresh crackdown on tax evasion.

"This isn't the time for a timid budget," says one London-based analyst. "Greece has to go all-out for reform if it is ever to catch up with Portugal and the EU's other Club Med members."



Athens share prices tumble

Prices on the Athens stock exchange fell sharply yesterday as retail investors sold their holdings in the wake of last week's share-trading scandal. The general index dropped by 3.5 per cent. Exchange authorities suspended trading in shares of four companies heavily traded by Delta Securities, the Greek brokerage house accused of fraudulent dealing.

All 65 brokerage houses returned to the trading floor yesterday.

Dark shadow over Russian charities

Tax breaks enjoyed by 'special exporters' are proving attractive to criminals

By Chrystia Freeland in Moscow

Anxious police officers outnumbered mourners yesterday as hundreds gathered in Moscow for the funeral of the 14 victims of last Sunday's bomb attack.

A remote-controlled explosive tore through a group of Afghan veterans and their families who had met at a Moscow cemetery to commemorate the second anniversary of the assassination of one of their leaders.

Kommersant, a Moscow daily, quoted an anonymous police source as saying that the blast was "the revenge of the Solntsevo mafia gang", a notorious clan based in a western suburb of the capital. Other police officials have speculated that the killing could be the result of a feud between two rival factions of the Afghan veterans' fund.

The murders have drawn the horrified nation's attention to the brutal and hugely profitable world of the "special exporters", organisations which are granted tax and customs exemptions to fund charitable causes.

It was one such group, the Russian Fund for Invalids of the War in Afghanistan, whose members were in the cemetery. According to the Russian press, it has enjoyed annual revenues of some $200m, primarily from the duty-free import of cigarettes and alcohol.


Armed police march beside mourners at yesterday's funerals in Moscow Reuter

Another is the Russian Orthodox Church, which accounted for an estimated 10 per cent of cigarette imports earlier this year and has a large stake in an oil-exporting company.

The Kremlin justifies the policy on the grounds that tax breaks are the only affordable way for the cash-strapped government to subsidise the country's poor and handicapped.

But as they stood under a grey sky ushering their friends' wooden coffins into black vans, Afghan veterans blamed the system for the attack. "This is a sign that we allowed criminal structures entry into our movement," said Vassily, a senior official in the fund who asked that his surname not be used.

Powerfully built and with heavily tattooed hands characteristic of Afghan veterans, he claimed his organisation had been penetrated by a criminal gang. "According to Russian law, invalids get privileges: an exemption from customs duties, tax breaks and so forth. But although the government gives these privileges, it does not give any money, so the fund must borrow money from somewhere and one source is criminal structures. They lend us money with pleasure."

Initially, said Vassily, funds like the veterans' organisation did not always know their creditors were gangsters, but slowly the mafia would move in, demanding a greater stake in the charities and enforcing their wishes with violence.

Politicians and veterans have accused the government of creating a hothouse for organised crime with the establishment of the tax-free funds. This week parliament called for an investigation into exemptions given to ostensibly non-profit organisations. One Afghan veteran alleged that a former cabinet minister had served as a link between the mafia and the invalids' group.

For ordinary Muscovites, who over the past five years have watched their city slip out of the secure but restrictive Communist straitjacket, the killings cast a lurid spotlight on the shortcomings of their new economic order.

As Mrs Valeria Panina, a retired engineer who came to the outdoor funeral because she felt sorry for "our boys", explained: "Here, we don't have people's capitalism like you do in the west. What we have instead is mafia capitalism."

EUROPEAN NEWS DIGEST

Deal on sale of Lufthansa

The German government has reached a deal with the European Commission that would allow foreigners to buy into Deutsche Lufthansa without gaining control of the flag carrier. The government received approval to privatise the remaining 35.68 per cent stake worth some $2bn after giving assurances that the company would remain at least 50 per cent German-owned.

The finance ministry wants to complete Lufthansa's privatisation by the end of 1997, after postponing it from this year because of next week's massive public offering of shares in Deutsche Telekom. The sale has also been delayed by international air law which requires flag carriers to demonstrate that national shareholders hold majority stakes if they are to retain their rights. Many of about 200 bilateral air traffic agreements between Germany and other countries stipulate that Lufthansa must remain in the hands of German investors, a condition not easily maintained if the shares are traded freely.

The government has proposed that if foreign investors hold more than 50 per cent, it will force international investors to sell their shares back to it on the basis that the last investors to buy the shares will be the first to have to sell them back. Shares in Lufthansa slumped on the announcement. *Agencies, Frankfurt*

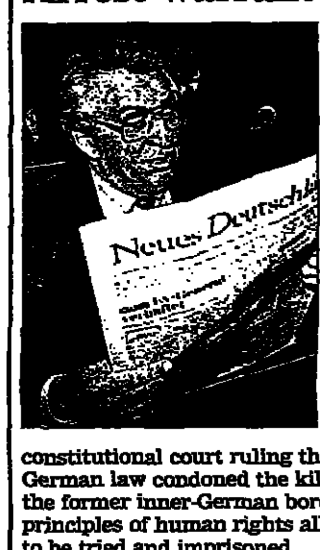
German pensions setback

The German government's hopes of reducing non-wage labour costs and raising the country's overall competitiveness suffered a setback yesterday when Mr Norbert Blüm, the social affairs minister, conceded that pension contributions would have to rise to 20.3 per cent of gross salaries next year from the present 19.2 per cent.

Mr Blüm told the Bundestag, the lower house, that the increase, which runs counter to previous promises of holding contributions at or below 20 per cent, was necessary to restock reserves. Unemployment, which has grown more than expected, had led to a DM10bn ($6.6bn) shortfall in contributions, he said. A rise in the level of contributions was also necessary because of the numbers of people taking early retirement.

The opposition Social Democrats (SPD) accused Mr Blüm and the government of demolishing public trust in the pension system. This was rejected by Mr Blüm who said attempts to lessen the contributions burden had been held up by SPD opposition to the sale of real estate owned by pension funds and to government plans to exclude part-time jobs from the pension contributions system. *Frederick Stüdemann, Bonn*

Arrest warrant for Krenz



A Berlin court yesterday issued warrants for the arrest of four men who were members of East Germany's politburo before unification. The four, who include Mr Egon Krenz (left), the former Communist party leader and head of state, and Mr Günther Schabowski, one-time party boss in East Berlin, are already on trial accused of involvement in the killing of people who tried to flee East Germany. The warrants follow the strengthening of the prosecution's case by a constitutional court ruling this week that although East German law condoned the killings at the Berlin Wall and the former inner-German border, commonly accepted principles of human rights allowed for those responsible to be tried and imprisoned.

Following the issue of the warrants Mr Krenz and his co-defendants, who have been on trial for more than a year, were released on condition that they surrender their passports, contact the police once a week and remain in the Berlin-Brandenburg area. Mr Krenz criticised the court's decision to issue the warrants and said the constitutional court ruling was discriminatory in that it created a different law for east Germans and those from the west. *Frederick Stüdemann*

MPs back Spain's Nato plan

The Spanish congress yesterday overwhelmingly endorsed plans to bring the country fully into Nato's new-style military organisation, 10 years after a referendum which kept it outside the alliance's integrated command structure.

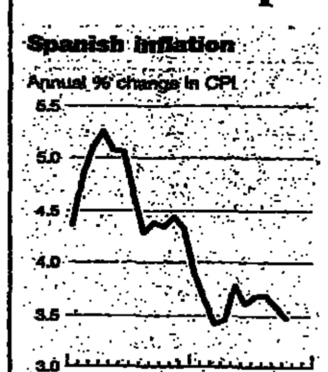
Mr Javier Solana, Nato's Spanish secretary-general, gave "a warm welcome" to the vote. A resolution agreed beforehand by the governing Popular party, the Socialists and three regional parties was approved by 293 votes in favour to 23 against. The resolution argued that Nato was undergoing profound changes and that it was in Spain's interest to be a full participant, but maintained a ban on nuclear weapons.

Four Canary Island deputies, normally allies of the government, abstained because of uncertainty about where the archipelago would fit in the new command arrangements. This was despite a clause in the resolution calling for Spain to seek command responsibilities in areas of "strategic interest" in both the Atlantic and Mediterranean.

The Communist-led United Left, strongly opposed to Nato integration, said there should be a fresh referendum. *David White, Madrid*

ECONOMIC WATCH

Consumer price rises slow



Spanish consumer prices rose 0.1 per cent last month, bringing the 12-month increase down to 3.5 per cent, in line with the government's initial target for the year, according to the national statistics institute. The slowdown in the headline rate, from 3.6 per cent the previous month, was largely due to a 0.3 per cent fall in food prices in October, which offset a surge in the cost of fuel. The underlying rate, leaving aside volatile fresh food and energy items, rose 0.2 per cent in the month but on a 12-month basis fell from 3.5 per cent to a new low of 3.2 per cent.

The government said the figures backed up its expectations of a further reduction next year, narrowing the gap with the European Union's best performers enough to qualify for the single currency. Banco Central Hispano's research department said it expected the headline rate to fall below 3 per cent next April and to around 2.5 per cent at the end of 1997. But it predicted that the central bank would wait until the second quarter of next year before making further cut in its benchmark interest rate, currently 6.75 per cent. *David White, Madrid*

■ French retail sales fell a provisional 0.7 per cent in July following a rise of 3.5 per cent in June.

France suspends CIC sell-off

By David Owen in Paris

France's privatisation programme suffered a new blow yesterday when the government announced it was calling off the sale of a majority stake in CIC, the country's fifth-largest commercial bank.

The move followed a ruling by the government's independent privatisation commission that one of the two offers received for the group - from Société Générale, another large French bank - did not comply with the government's sales requirements. The sale, scheduled for the end of the year, has faced political opposition and concern about the number of bidders and the size of their offers.

There have been protests about the sale from regional interests concerned about the possible loss of the strong identities of the 11 banks in the group.

Mr Jean Arthuis, finance minister, recently emphasised the government would demand that the purchaser respected the local character and regional identity of the 11 banks in the CIC group. Conditions of the sale included a stipulation that the buyer respect non-life and life assurance agreements with GAN, the state-owned insurance group which owns CIC.

Both SocGen and Banque Nationale de Paris, whose bid was judged to have met sales requirements, are understood to have offered about FFr6bn for the 67 per cent stake. Acceptance of such a sum would have forced GAN to record a substantial capital loss.

Mr Arthuis yesterday insisted the government remained determined to sell CIC. The privatisation was "an obligation GAN accepted when it was recapitalised two years ago".

The minister also indicated that the government still planned to sell GAN, but said he did not think the two institutions could be sold at the same time.

Yesterday's capitulation is likely to encourage the vocal critics of the government's plans to sell the Thomson electronics group to the Lagardère group for a symbolic FFr1, in a deal that would result in the controversial transfer of Thomson's consumer electronics arm to Daewoo of Korea.

The privatisation commission, which vets all sales of state assets, is expected to rule on that sale in December or January.

Most of the corporate plums in the state's still extensive patrimony have been sold in the past three years, since Mr Edouard Balladur, then prime minister, launched his ambitious privatisation programme.

As much as FFr25bn of the FFr27bn in privatisation receipts the government is expecting in 1997 are expected to come from a single source: the planned float next spring of about 20 per cent of France Télécom, the state-controlled telecoms operator.

Yesterday's decision comes less than a month after remarks by Mr Bernard Yoncourt, CIC's chairman, triggered a row with the government. Mr Yoncourt said his company's acquisition by either SocGen or BNP would "risk being the death announcement of CIC". BNP yesterday said it regretted the decision not to proceed. SocGen had no comment.

Bosnia's co-leaders endorse action plan

By Laura Silber in Paris

Western foreign ministers warned Bosnia's three co-presidents yesterday that they would face punitive measures unless they complied fully with the Dayton peace agreement.

Mr Warren Christopher, US secretary of state, said after a peace plan review conference in Paris: "We have made it clear to the parties that the UN Security Council will consider imposing measures if they fail to significantly meet their obligations under the peace agreement."

Mr Carl Bildt, senior international envoy to Bosnia, warned: "The peace agreement is not an à la carte menu where you can choose what you like."

Mr Bildt – who had his powers as the main civilian authority in Bosnia enhanced by the Paris declaration despite US objections – added: "You cannot expect the international community, when the despair and desperation of the Great Lakes region of Africa now calls for the attention and action of government, to make major military and economic commitments to help you when you are seen as not being able to help yourself in taking even basic decisions on the implementation of the constitution."

The US is likely to contribute at least 6,000 troops to the successor to the Nato-led Implementation Force in Bosnia, Mr Javier Solana, Nato secretary-general, said yesterday, writes Gerard Baker in Washington.

After talks with Mr Al Gore, the US vice-president, Mr Solana said he expected the US to contribute around a third of the new force, which would be between 20,000 and 30,000 strong.

At the three-hour meeting, Mr Alija Izetbegovic, the Moslem chairman of the Bosnian presidency, and his Serbian and Croatian counterparts, Mr Momcilo Krajisnik and Mr Kresimir Zubak, endorsed a 13-point action plan to bolster peace. They once again pledged to comply fully with the Dayton agreement, signed last December in Paris, so as to allow the return of refugees and freedom of movement, to hold municipal elections, ensure freedom of the press, create joint institutions and an international police force, establish a market economy, reduce arms stocks, and co-operate with the international tribunal for war crimes.

Despite intensive efforts by US mediators the co-presidents failed, however, to agree on the composition of a new joint government following September's elections.

Behind-the-scenes, diplomats wondered whether it had been necessary to hold the conference in the first place since the parties have pledged repeatedly to uphold the Dayton accords.

More important will be the London conference next month at which the parties are expected to finalise the two-year consolidation plan. Moreover, diplomats hope that the key elements of the successor to the Nato-led Implementation Force (Ifor) – whose mandate expires next month – will be in place by then.

Turkey passes law on laundering

By John Barham in Ankara

Turkey's parliament has made money laundering a criminal offence. The law was passed, after a delay of over two years, after western governments had threatened to penalise Turkey for not complying with international guidelines.

Diplomats say the law meets international standards, but said they would reserve judgment until enforcement was seen to be effective. Turkey straddles one of the world's busiest drug smuggling corridors and its large and reasonably sophisticated financial system has allowed smugglers to recycle profits easily and legally.

Interpol estimates that 75 per cent of heroin seizures and arrests in Europe involve Turkish traffickers or drugs passing through Turkey from Pakistan or Afghanistan. Heroin seizures in Turkey increased to over 2,000kg in the first half of this year from nearly 3,500kg in the whole of 1995.

Draft money laundering legislation was put before parliament in 1994, but its passage was delayed by disputes over wording and general elections at the end of last year.

A diplomat monitoring the law added that MPs "wanted to make sure that anything connected to political fund-raising would be excluded."

Turkish political parties are largely free from controls on donations and some MPs are known to have ties to Turkey's criminal underworld.

On Tuesday parliament voted unanimously to investigate links between organised crime, the police and the state.

A Turkish investment banker said the law "is a step in the right direction, but I do not think it means too much. The resources and manpower to [enforce] it are just not there."

'Left-right' presidency angers MEPs

Gil-Robles may face a genuine fight for the top job, reports Neil Buckley

For the first time in seven years the election of the president of the European Parliament might turn out to be a genuine fight.

The man who could normally expect to end up in the job in the January poll – whatever his real popularity among members – has already been chosen.

He is Mr José María Gil-Robles Gil-Delgado, endorsed in Strasbourg on Wednesday night as candidate of the European People's party, the Christian Democrat group which is parliament's second-biggest after the Socialists.

Hänsch: handing over

Until 1989, elections for the 2½-year job involved a free vote. Since then the EPP and the Socialists have effectively rotated the job between them.

An unwritten agreement says each will support the other's candidate when it is the other's turn. Mr Klaus Hänsch, a Socialist, has presided over half the current parliament's five-year term. Now the EPP's turn has come.

But angered by this political carve-up, parliament's six other groups are holding talks on fielding a common candidate capable of winning enough votes to break the Socialist-Christian Democrat stranglehold. They say a post with an increasingly international profile must go to the best possible candidate.

Gone are the days when the president just chaired debates and organised the timetable. As parliament attempts to increase its influence, so the president is becoming its public face, chief campaigner, and representative at events such as EU summits.

"This is not a job which should be based on a 'Buggins' Turn' formula," said Mr Gijs de Vries, leader of the fourth-largest group, the Liberals.

Mr de Vries denied wanting the job himself – though many would welcome the candidacy of a man regarded as one of the brightest in parliament. He said the Liberals had not decided whether to field a candidate.

Mrs Claudia Roth, leader of the Greens, is urging the smaller groups to back a common nominee. "We absolutely do not agree with a system which just runs left-right, left-right," she said.

Nobody disputes Mr Gil-Robles' credentials. The 61-year-old Spaniard, fluent in five languages, has been in politics since 1957 and in the European chamber since 1989, recently as a vice-president. But MEPs suggest he would not be first choice in a free vote.

"If you listed the top 10 candidates, Mr Gil-Robles would not figure," said one insider.

The fact Mr Gil-Robles did not even face election within his own group has increased impressions of a political fix. The last-minute withdrawal of two other would-be EPP nominees, France's Mrs Nicole Fontaine and Greece's Mr Georgios Anastassopoulos, has fuelled speculation that the deal-making went beyond parliament and involved national political leaders – notably Spanish premier Mr José María Aznar, whose Popular party is aligned with the EPP.

One EPP official reportedly called Mr Gil-Robles' nomination a victory for "Spanish interests" and Mr Aznar.

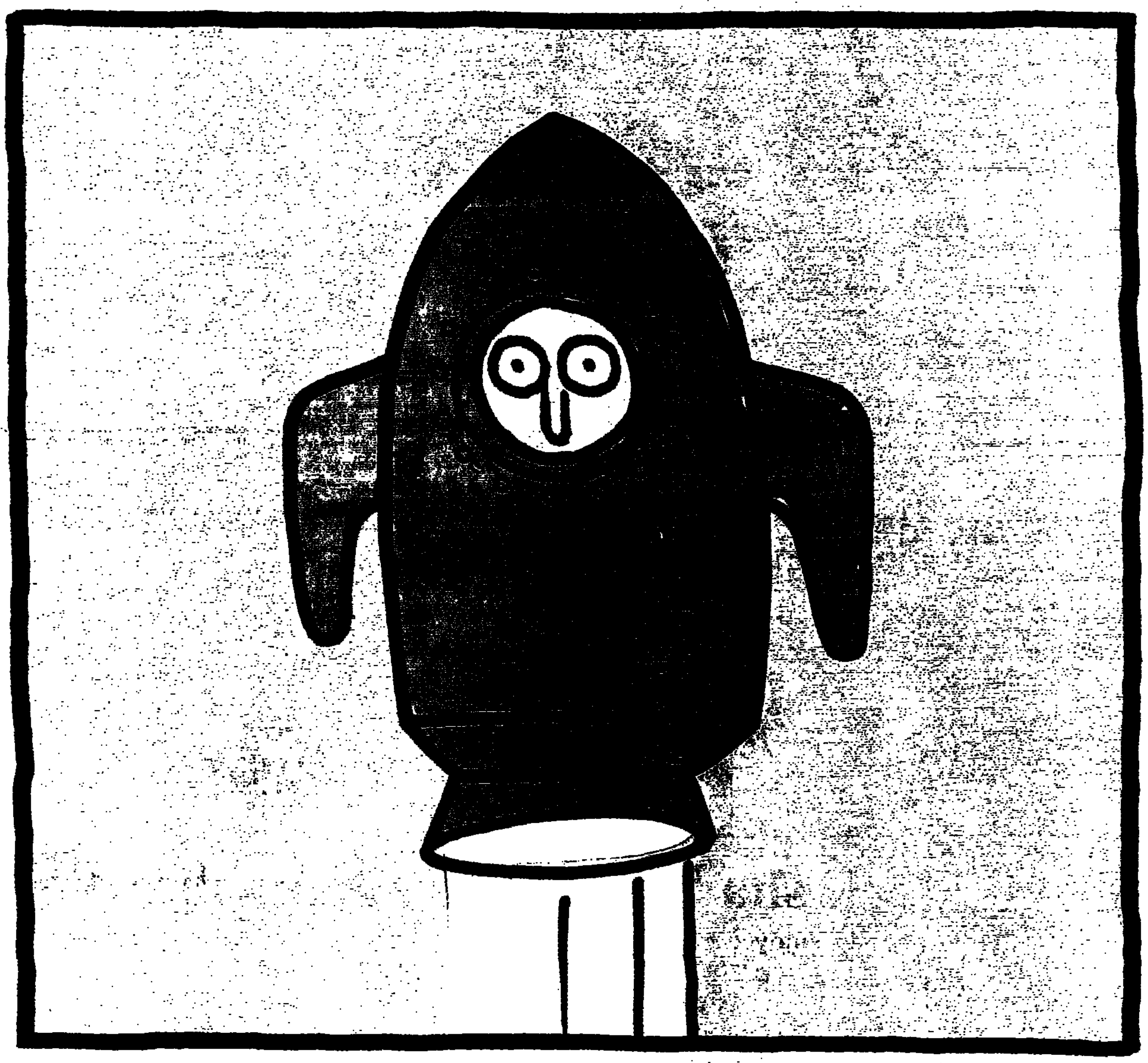
Gone are the days when the president just chaired debates and organised the timetable

"I don't think [German chancellor] Kohl and Aznar should be deciding who gets this job," said Mrs Roth.

Mr Wilfried Martens, EPP leader, said Mr Aznar was "eager" to see a Spanish candidate, but exerted no pressure.

"Mr Gil-Robles is very able and has the political will to make the reforms parliament needs," said Mr Martens. He added that parliament needed a "stable majority", and without the "technical coalition" between Christian Democrats and Socialists over the presidency there was no guarantee any candidate could get the required absolute majority.

But many MEPs warn that if parliament is to be taken seriously in its claim to be the EU's democratic conscience, the first reform should be the introduction of presidential elections that are genuinely democratic.



Vote-buying, violence and intimidation leave Sunday's poll too close to call

Old tactics rule in Thailand's election

Voters in the north eastern Thai village of Ban Dan Hang are becoming more politically sophisticated.

Having intently watched September's parliamentary no-confidence debate on television, which ultimately led to new elections being called for Sunday, they learned that politicians who buy their votes are unlikely to form a clean and stable government.

"People who distribute money [to win public office] act corruptly to get that money back, so maybe it would be better to vote for people who don't give money," says Mr Chanchai Tiosoth, a 31-year-old rice farmer, inspiring hope that Thailand's rural population, the country's overwhelmingly dominant electoral force, may elect a crop of politicians with priorities other than self-enrichment.

The hope is fleeting.

"People like that haven't shown up in this village yet," Mr Chanchai says. "So we will take money from everyone and choose the people who have been the most helpful."

Democrat party leader Chuan Leekpai: he may be able to limit corruption AP

As Thailand heads into its fourth election in five years, old tactics of vote-buying, violence and intimidation remain systematically entrenched.

When Thailand's economy was booming the corrupt and fractious governments that emerged could, it seemed, be shrugged off. But 16 months of rule by the ousted government of Mr Banharn Silpa-archa has exposed the dangers of a system which allows the incompetent to run a slowing economy.

The sacking of two finance ministers, one central bank governor and the head of the Securities and Exchange Commission in little over a year may have raised serious doubts about those in charge of the economy; but the fact that those sacked were more competent than most of Mr Banharn's cabinet ministers only made matters worse.

The result is an economic situation that is extremely delicate. The need for a stable government with clear national priorities is paramount. In political terms it doesn't matter whether Thailand's export slowdown and rising dependence on short-term foreign capital is part of the Asian-wide cyclical downturn or a structural problem associated with the country's transition away from a low-wage, assembly-based economy; in either case the country craves a solid dose of short-term economic management and long-term economic planning.

Will such a government emerge from Sunday's election?

The race, which pits the Democrat party, the only political party in Thailand with a national base and some measure of ideological consistency, against the rural based and unscrupulous New Aspiration party (NAP), is too close to call.

An internal poll carried out by the interior ministry, traditionally quite accurate, projects the NAP and Democrat party each winning 127 seats in the 393-seat parliament, with the remaining seats scattered among nine other parties contesting the election. Most other polls show the NAP and Democrat parties within 10 seats of each other.

Since neither party will win an outright majority, a coalition government, which the largest single party traditionally forms, is inevitable. But the effectiveness and stability of that coalition is likely to vary widely depending on whether it is led by Mr Chuan Leekpai, Democrat party leader and former prime minister, or by Gen Chavalit Yongchaiyudh, NAP leader and former army commander-in-chief.

While Democrat party candidates buy votes too, the party's urban base and Mr Chuan's commitment to pursuing long-term policy goals may keep potential corruption and favouritism in check.

Despite the possibility of having to include Mr Banharn's severely reduced Chart Thai party, both financial markets and the Bangkok middle-class, traditionally the two destroyers of Thai governments, will give a Democrat-led coalition a chance to work.

Mr Chuan has vowed to reform his plodding decision-making style, while nearly all ministers in his cabinet would be elected MPs, with a consistent policy platform.

The NAP is in the running to become the biggest party because Gen Chavalit exercised little care in accepting more than 70 former MPs from parties in the Banharn-led coalition, thus importing all the factionalism along with the chance to become premier. Such politicians will demand the cabinet posts needed to reap the benefits of political office.

Gen Chavalit says he will hand over vital economic ministries to outside technocrats, but acknowledges he has trouble "saying no to friends".

Mr Amnuay Viravan, the former banker who is tipped to lead Gen Chavalit's team of outsiders, has already said he will be unable to do his job of co-ordinating economic policy in Mr Banharn's coalition because of constraints imposed by politicians.

An additional problem for Gen Chavalit would be the distaste which he provokes among the financial community – brokers predict an immediate drop in the stock market and an increased risk premium on the baht should the NAP lead a new government – and the Bangkok middle class, which will put his coalition under immediate strain.

"Gen Chavalit will rely on all the MPs from the last coalition who we realise are only looking to increase their benefits and power," says Ms Porntip Pintong, a 55-year-old public school teacher, voicing a typical Bangkok reaction to the prospect of a Chavalit-led government.

A repeat of the Banharn coalition, albeit with a different leader, has some worried not just about the Thai economy but about a political stalemate.

With the Banharn government the middle class saw democracy "turning out to be the rule of the corrupt and incompetent," says Mr Anek Laothamatas, vice-rector of Thammasat University. "Such a cynical perception has pushed the middle class into a dilemma. While they oppose authoritarian rule, they are not satisfied with the performance and integrity of elected governments."

Others are more sanguine, believing that as people become more politically alert, the governments produced by Thai democracy will improve.

"No, I don't think the system is in jeopardy," says a member of the King's privy council. "Because people are learning and becoming more politically aware, the next government will be better than the last one. It has to be. It better be."

Ted Bardacke

Japan spending by consumers falls sharply

By Gwen Robinson in Tokyo

Japanese consumer spending patterns are shifting, according to figures released yesterday showing a steep setback for average household spending in the third quarter.

In the July-September period, average monthly household spending fell by an inflation-adjusted 3 per cent from the previous year to Y317,659 ($2,860), posting the first setback in three quarters, the government's management and co-ordination agency said.

While spending on durable items rose sharply, a steep fall in spending on non-durable and semi-durable goods such as clothing, footwear and household items dragged down the overall figure, the agency said.

In September alone, average monthly household spending fell by 4.4 per cent from the same month last year to Y299,096, equalling the fall in July which, in turn, was the biggest decline in two years.

In seasonally adjusted terms, real spending fell 3 per cent against the previous month and, for the quarter, real consumption fell 3 per cent from the previous year, marking the biggest drop on record.

For September, disposable income of salaried households rose 0.7 per cent from the previous year, a sizeable increase compared to the 3.2 per cent year-on-year fall in July. The main reason for weak spending appears to be the 28.7 per cent seasonally adjusted increase in the savings rate.

Many economists believe the decline in household spending is more of an aberration than a concrete trend and question the government's methods of compiling the statistics.

Mr Chris Calderwood, senior economist at BZW in Tokyo, said it was time the government overhauled the quarterly household spending survey – particularly as it was used in calculating Japan's GDP figures.

"The survey is detached from the real world. It surveys only family units, not individuals. The percentage share given to durable goods in the survey is only about 5 per cent. The results can show new car purchases down in periods when new car registrations have actually gone up."

Mr Peter Morgan, senior economist at James Capel, described some of the data in the latest survey as "implausible". House repairs (down 36 per cent for September year-on-year) seemed implausible, while clothing sales data seemed unreliable, he said.

A provincial tour de force from Philippine president

Ramos takes his cabinet to the provinces, reports Edward Luce

Thousands of waiting rural Filipinos shielded their eyes as the presidential helicopter descended on to the dusty sportsfield, accompanied by a phalanx of Vietnam-war era Hueys. President Fidel Ramos and his cabinet alighted to applause.

The isolated town of Iba – deep in the Zambales jungle – had been chosen to host the government's fortnightly provincial cabinet meeting. Armed with a battery of cheques, awards, commendations and speeches, the 68-year-old president plunged into the waiting crowds.

"Today the national government has come to Iba," Mr Ramos told a sports hall crammed with local dignitaries. "This is the first time a regional cabinet meeting has been conducted in central Luzon."

Instituted earlier this year, such meetings are a radical departure from the government's traditionally high-handed approach to the provinces. A mixture of theatre and genuine consultation, Mr Ramos explained his decision to take his cabinet on excursions round the country every two weeks.

The success of the Philippines, said Mr Ramos, would be achieved in much the same way as a housewife cooked the local bibingka rice cake. The Filipino speciality is heated from below and on top at the same time. "The fire from below represents you – the people, the private sector and local government," Mr Ramos said. "The fire from above [the cabinet] can only work if the bibingka is well heated from below."

As the cabinet handed out cheques for local livelihood schemes and donated second-hand ambulances to the local paramedical service, an aide explained why the exercise was more than just public relations.

"We are genuinely devolving power to the provinces," said Mr Hector Villanueva, presidential spokesman. "Under a new system, 40 per cent of national revenue collection must now be handed over to local government."

The local finance law – partly enacted to prevent a return to the "kleptocracy" of the strongman Ferdinand Marcos, reckoned to have stolen $5bn from the country, and partly to spread the uneven benefits of development beyond Manila – is transforming the Philippines' fiscal landscape. Once forgotten backwaters, such as Iba, now have genuine budgets to play with.

With the cash, however, comes greater responsibility. "Many local politicians have no idea how to manage budgets," said one cabinet minister.

"We find that they have been spending money on Pajeros [off-road vehicles] and grand residences when they should have been spending it on health or education. The provincial cabinet meetings are partly to let them know we are watching."

Ramos: devolution at work

Held around a cramped table in the local town hall, the Zambales cabinet meeting was a far cry from the fortnightly affair held at the imposing Malacanang palace in Manila. This one was mainly devoted to provincial issues.

Reports on the state of local road projects and on the progress of the resettlement of thousands of peasants made homeless by last year's "lahar" flows – hot mud unleashed by the eruption of nearby Mount Pinatubo in 1991 – were delivered.

A lengthy report – on the construction of a high-speed road linking Manila to Subic Bay freeport, the venue of the Apec (Asia-Pacific economic co-operation) forum annual leaders' meeting later this month – was then read out by a junior cabinet member. "Hurry up! Hurry up!," said Mr Ramos after listening for 10 minutes. "We have to get back to Manila before sundown."

The report having finished, the cabinet moved on to the most important issue facing the country – the Apec leaders' meeting which will be held on 25 November. After going over the preparations for the event, including various beautification schemes in Manila, Mr Ramos reminded his colleagues that the "eyes of the world" would be on the Philippines during the summit.

Outside, hundreds of curious locals knew that the eyes of the nation were trained on Iba for a day. As the cabinet sped off to the waiting fleet of helicopters, the town had a last glimpse of its national leader.

"Most of them have never seen Ramos before and probably won't again," said Mr Villanueva. The formation whirred noisily over the surrounding jungle. "Most of them will never forget it either," he said.

ASIA-PACIFIC NEWS DIGEST

Cambodia aid suspended

The International Monetary Fund and the World Bank have suspended disbursement of $47m in aid to Cambodia – citing continued concerns over the government's national logging policy. International donors have claimed Cambodia's logging is riddled with corruption and has led to widespread destruction of forests.

The IMF said it would continue to withhold disbursement of $20m that was scheduled to be paid out last May, when the world organisation first made public its concerns that logging revenue was not reaching the national treasury. The World Bank meanwhile announced a postponement of $27m in assistance for Cambodia's agricultural sector.

After several IMF warnings, Cambodia approved new forestry regulations last month. But the IMF said it wanted to see proof such regulations would be followed.

"We asked the government to modify its forest policy in July. Unfortunately, there has been much less action than we would have hoped," said Mr Michael Kuhn, assistant director of the IMF's central Asian department. The government "followed through on part of the concerns," he said. "They selected companies to monitor and control log exports. But the commitment of the words will now have to be matched with actions." *Ted Bardacke, Bangkok*

India's ex-PM granted bail

India's former prime minister, Mr P.V. Narasimha Rao, was granted bail in a forgery case yesterday and was exempted from having to appear in court during his trial. Mr Rao, whose government lost power in elections earlier this year, is the first former or sitting Indian prime minister ever to face criminal trial – and he faces three criminal proceedings.

Bail was set yesterday at Rs100,000 ($2,800), Indian news agencies reported. In the forgery case, Mr Rao is charged with using his position as India's foreign minister in 1989 to have the Indian consulate in New York authenticate what he allegedly knew were false documents aimed at defaming a political opponent. Mr Rao is also a defendant in two other cases and has already been granted bail in those cases. *AP, New Delhi*

Vietnam has Apec hopes

Vietnam said yesterday it hoped to become a member of the Asia-Pacific Economic Co-operation (Apec) forum soon, but fell short of predicting its accession at the group's summit later this month.

A senior Philippine official said on Wednesday that Apec membership could be expanded to countries such as Vietnam as early as this month's meeting in Manila.

The moratorium on Apec membership expires this month and the issue of extension is to be discussed at an Apec ministerial meeting beginning November 22, just before the summit.

The Philippines, the current Apec chair holder, has said it does not want to see an extension of the moratorium on membership. But it has indicated it would like see the adoption of admission criteria, which are thought to include geographical location and a display of commitment to trade liberalisation. *Reuter, Hanoi*

Australian oil market plea

Ampol and Caltex, which last year merged their operations to become Australia's largest petroleum refining and marketing group, yesterday stepped up pressure on the federal government to deregulate the country's petroleum market – saying they would give open access to their fuel terminals once this occurred.

"Ampol sees no genuine impediment to deregulation by early 1997, and I urge the government to implement its election commitment to deregulation as soon as possible," said Mr Ian Blackburne, Ampol's managing director.

The companies argue that the freer access to petrol supplies at source would help reduce some of the larger distortions in the fuel market, including the big discrepancy between city and country petrol prices. This has been a long-standing complaint of farmers, who claim to be unfairly penalised.

The Australian Competition and Consumer Commission, the main competition watchdog, has already urged the government to scrap price controls on petrol and related products. It argues these have limited impact, and efforts to ensure independent fuel retailers can compete effectively with the four big companies – Ampol/Caltex, Shell, BP, and Mobil – would be more effective in holding down prices. *Nikki Tait, Sydney*

■ Mr Richard Court, the premier of Western Australia, yesterday called a state election for December 14. At present, the conservative Liberal-National coalition holds power with 31 seats in the Legislative Assembly, compared with Labor's 23. *Nikki Tait*

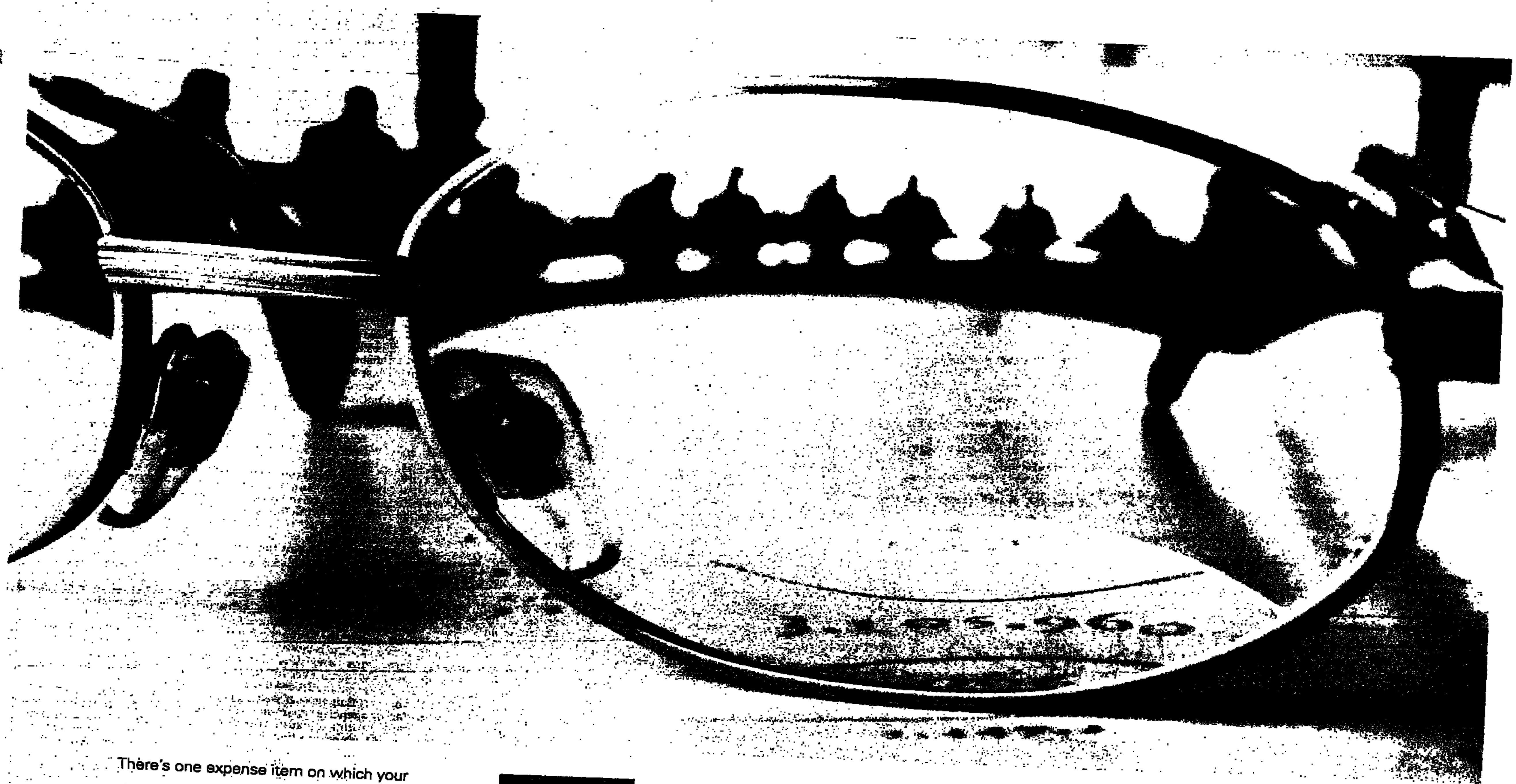
Sentence upheld in China

A Chinese court has rejected an appeal by a member of one of the country's politically powerful families, upholding a suspended death sentence for bribery. But the court showed leniency to Zhou Beifang, 43, former chairman of Hong Kong-listed affiliates of the state-owned Capital Iron and Steel Corp (Shougang), because he showed remorse, the official Xinhua news agency said.

Zhou's death sentence was suspended for two years. Such suspensions usually mean the sentence will not be carried out if the prisoner repents and co-operates with authorities. Zhou is one of China's "princelings", or children of the ruling party elite, who enjoy influence because of top-level connections. The Zhou family has ties to the family of paramount leader Deng Xiaoping.

Zhou was convicted of accepting bribes of HK$9.28m (US$1.2m), Xinhua said. He was also found guilty of paying bribes to three people, including former officials of the Beijing city government, so his wife and daughter could move to Hong Kong, it said. *Reuter, Beijing*

■ A Chinese court today will consider the appeal of dissident Wang Dan against his 11-year sentence for plotting to overthrow the government. The Beijing Higher People's Court was widely expected to reject the 27-year-old dissident's appeal and uphold his conviction, Chinese lawyers said. *Reuter, Beijing*



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NEWS: AMERICAS

Louis XV tureen sells for $10.3m

By Antony Thorncroft

One of the finest objects of antique silver ever likely to appear on the market, a Louis XV tureen and cover made by the celebrated Parisian goldsmith Thomas Germain in 1733, sold for $10.3m at Sotheby's in New York on Wednesday.

The price was an auction record for any item of silver and was comfortably above the $8.5m high estimate.

Little silver of this period survived the French Revolution and hardly anything of this quality. It was sold by Mr George Ortiz, of the Bolivian tin family, and was bought by an anonymous bidder. Six of the eight lots of silver consigned by Mr Ortiz found buyers for a collective $15.3m, a record for a silver auction.

Meanwhile, Christie's held its winter sale of Impressionist and modern art bringing in $82.5m. It confirmed the improvement at the top end of the art market, with 80 per cent of the 66 lots on offer selling, and many exceeding their estimates. American buyers accounted for 60 per cent of the successful bids, but there was also evidence of good demand from Europe and some Asian interest.

Monet was the artist most battled over, with a view he painted in 1881 in his garden at Vétheuil selling for $13.2m, the highest price achieved at auction for a painting this season and the third highest price ever paid for a work by Monet.

One of his many versions of waterlilies, "Nymphéas", made the same price. It was the largest sum ever paid for a Monet Nymphéas at auction.

In all, 17 paintings sold for more than $1m. Among the other highlights were the $7.2m paid for "Après le bain" by Degas; $3.85m for a highly coloured landscape by Kandinsky; and $3.4m for a 1906 Picasso view of Gósol in the Pyrenees.

Optimism in short supply in Brazil

Geoff Dyer reports deficits and political diversions worry investors and economists

With the exasperated tone that politicians reserve for financial markets, Mr Pedro Malan, Brazil's finance minister, complains that "people get over-excited about one month's trade statistics".

He is certainly right that in the run-up to the publication yesterday of October's trade balance economists have been paying unusually close attention to the figures, which showed a deficit of US$1.3bn.

Seasonal factors explain some of the deficit and the political vacuum created by today's second round of municipal elections has aggravated market nervousness. However, the figures were more than double the level forecast only a few months ago.

Coupled with an expected increase in this year's budget deficit, the trade figures have prompted a bout of unease among investors and economists about the Brazilian economy.

"The mood in the market has become a lot less optimistic since the end of August," says Mr Dany Rappaport, chief economist at MCM, a São Paulo consultancy firm. "People realise the economy is entering a crucial phase."

These doubts come just over two years after the launch of the Real Plan, introduced by President Fernando Henrique Cardoso in his previous job as finance minister, and which has transformed the country's economy.

Under a policy of high interest rates, trade liberalisation and a stable currency that many economists argue is over-valued, inflation has been brought down from 5,000 per cent in 1994 to less than 10 per cent for this year, its lowest level since 1957, according to Mr Malan. A sharp rise in average earnings and a consumer boom have followed.

Although the government insists there will be no change in the fundamentals of its macro-economic policy, it has been quick to respond to the growing doubts with a number of specific policy changes.

In an attempt to halt the increasing trade deficit, the government exempted exports of raw materials and semi-processed products from value-added tax. It is also introducing an export credit insurance scheme and is examining the opening of credit lines to importers of Brazilian goods.

After funds raised abroad dropped from a high of R$3.3bn (US$3.2bn) in June to R$1.6bn in October, the government reduced the tax on international fund-raising operations in a move to boost foreign capital inflows to help finance the current account deficit.

And in October the government introduced plans to cut public spending by R$6.5bn through a number of measures, including a reduction in public sector employment through spending cuts at state-owned companies and improved tax collection.

> The economy is expected to grow by 3 per cent in the year as a whole

These fine-tuning measures have reassured economists about the professionalism of the Brazilian economics team. However, they have not allayed fears that the Real Plan is being put under increasing pressure by the fiscal and balance of payments situations.

Mr Rappaport says the October trade deficit, prompted by sharply higher imports, is a serious problem because it underlines the capacity constraint on growth. After a decline in GDP of around 0.4 per cent in the first half of the year, the economy has rebounded strongly in the third quarter and is expected to grow by 3 per cent in the year as a whole. "The recovery in economic activity has already created this kind of trade imbalance," Mr Rappaport says.

However, according to Mr Malan, the expected current account deficit of 2.8-2.9 per cent of GDP for 1996 is not high by international standards. The government believes the modest deficit reflects the country's need to receive foreign savings to finance growth, rather than being a trigger for capital flight or for higher interest rates to dampen demand.

"The relevant question is how the deficit is being financed," Mr Malan claims. Foreign direct investment of $7.5bn this year will account for 40 per cent of the deficit and Brazilian borrowers are achieving tighter spreads and longer maturities in international capital markets, he says. The government also has the cushion of $58bn of reserves.

The problem for the government is that the trade and current account deficits stand alongside a fiscal burden which is proving more stubborn than expected. Economists expect a operational budget deficit of 4-4.5 per cent this year, nearly double the government's forecasts at the beginning of this year and on top of a 5 per cent deficit in 1995.

According to Mr Carlos Kawall, chief economist at Citibank in São Paulo: "The danger is that foreign savings will be allocated not to private investment, but to financing the public sector deficit."

Economists argue that a serious reduction in the budget deficit is vital to secure the low inflation that the Real Plan has brought. However, the government's key social security and administrative reforms have been making extremely slow progress through Congress.

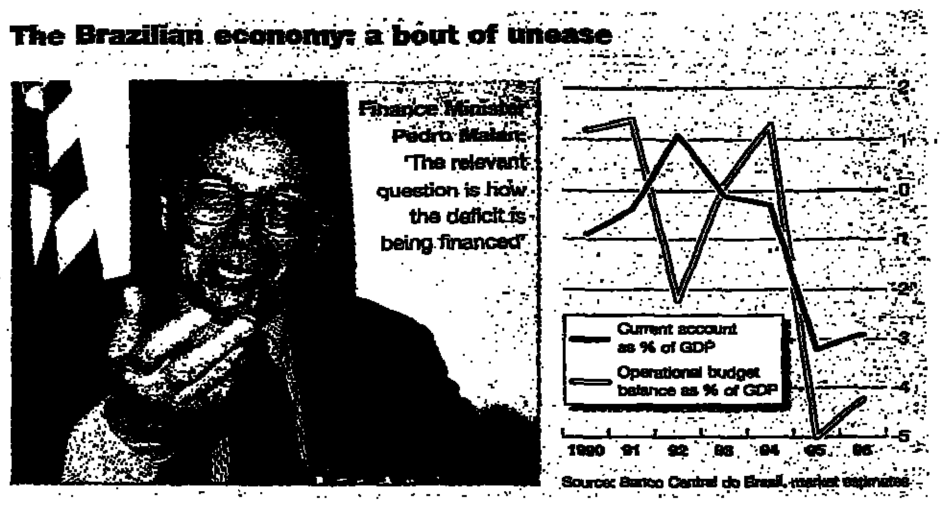
And politics is likely to dominated after the local elections because the debate over a constitutional amendment to allow President Cardoso to stand for re-election, which could further delay and dilute the reforms.

As with the trade figures, Mr Malan appeals for observers to take a more long term view of the fiscal situation. "The important thing is not to look at the individual numbers but that the deficit is being reduced over time, which it is," he says.

In the short term, economists expect more fine-tuning, such as some form of credit controls to cool domestic demand and more export incentives. Harsher measures, such as higher interest rates, are thought to be unlikely before the second quarter of next year, by when the government hopes to have resolved the re-election issue.

However, the budget and trade deficits have served as a warning to economists that the hard-won achievements of the last two years are not set in stone and that a host of problems remain.

The Brazilian economy: a bout of unease



Source: Banco Central do Brasil, market estimates

Review of federal rules on airbags

By Haig Simonian, Motor Industry Correspondent

US carmakers, safety experts and insurance officials were in discussions yesterday over proposals to change federal rules which might prevent accidental deaths from airbags.

The National Highway Traffic Safety Administration says there have been at least 49 deaths of passengers in vehicles where airbags have inflated. Most have been children or infants in rear-facing baby seats.

"The question is the balance between airbags' use in saving lives and their risks," said Mr Kyle Johnson, of General Motors.

US rules require airbags to protect an adult not wearing a seatbelt in a 30mph collision. European airbag rules are based on the assumption that the occupant is wearing a seatbelt.

The difference means that US airbags must deploy more powerfully than in Europe. Although there have been fatalities on both continents, the number of deaths is believed to be higher in the US because of the greater force of airbags.

Various ideas to improve safety include reducing the explosive charge required. Some safety bodies have called for vehicles to be fitted with switches to deactivate a passenger's side airbag if the front seat is occupied by a child or frail adult.

Last August, NHTSA solicited comment from interested parties after announcing its proposal to change the rules. Yesterday's conference, held in Toronto by the Insurance Institute for Highway Safety, could provide the forum for an agreement.

● Honda Motor said yesterday it was recalling 164,139 vehicles – nearly half the 1995 model Accords sold in the US – because of potentially faulty airbag control devices.

US inflation steadies as sales remain stable

By Michael Prowse in Washington

The US economy is expanding at a moderate pace with little upward pressure on inflation, official figures indicated yesterday.

The labour department said the consumer price index rose 0.3 per cent last month, the same as in September. The annual rate of inflation held steady at 3 per cent. Separate data showed a 0.2 per cent increase in retail sales following a revised 0.8 per cent gain in September. Sales rose 5.2 per cent in cash terms in the year to October.

The figures will be welcomed by US monetary authorities to help justify their decision not to raise short-term interest rates this week, in spite of a fall in the jobless rate to levels that in the past have signalled upward pressure on inflation. Most Wall Street analysts now expect monetary policy to remain on hold until the new year.

The Federal Reserve is expected to raise interest rates only if tangible evidence of upward pressure on prices emerges. Evidence of a modest increase in wage inflation is not seen as sufficient in itself to warrant a monetary tightening.

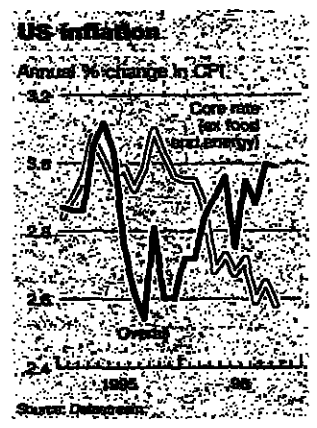
Excluding the volatile components of food and energy, the "core" consumer price index rose 0.2 per cent last month following a 0.3 per cent gain in September. The annual rate of core inflation fell slightly to 2.6 per cent against 2.7 per cent.

The sales figures showed tentative evidence of a recovery in consumer spending in the fourth quarter. Excluding cars, sales rose 0.4 per cent between September and October. But prospects for the quarter as a whole will depend mainly on the Christmas sales season.

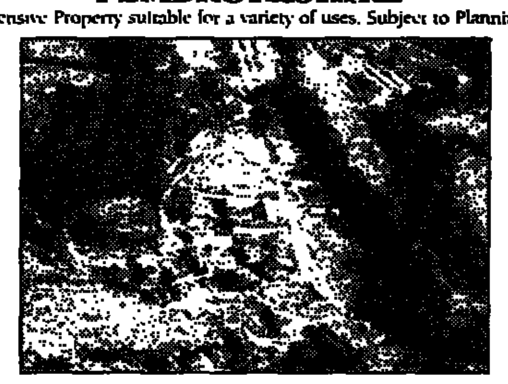
A sharp decline in consumer spending growth was the main reason for a slowing of economic growth in the third quarter to an annual rate of 2.2 per cent compared with 4.7 per cent in the second quarter.

US inflation

Annual % change in CPI



Source: Datastream



Review of feder rules on airbags

NEWS: INTERNATIONAL

Mubarak warns of violence as Israel runs out of time

Egyptian leader tells **David Gardner** and **Sean Evers** that a 'new kind of apartheid' in the Middle East would be unacceptable

Mr Benjamin Netanyahu, Israel's hardline prime minister, has lost the trust of Arab leaders committed to peace in the Middle East, according to President Hosni Mubarak of Egypt. In place of this trust he has created a climate of suspicion and bitterness which is making it dangerous for the region's moderates to deal with him and could lead to a new explosion of violence.

In an interview with the Financial Times yesterday, the final day of the Middle East and North Africa economic conference in Cairo, Mr Mubarak called on Israel to agree terms, acceptable to Palestinians, on the front-line West Bank town of Hebron. Israelis are committed, under the Oslo peace accords signed with Israel's previous Labour government, to withdrawing from most of the town.

But Mr Netanyahu has halted all progress on the Oslo peace accords and negotiations with Syria, and has rejected the principle of returning conquered Arab land in exchange for peace. In reopening the international agreement which includes Hebron, he has claimed it affords insufficient security to 400 extremist Jewish settlers who live there surrounded by 130,000 Palestinians.

The Israeli leader wants the right of "hot pursuit" into areas under Mr Yassir Arafat's Palestinian Authority; to ban Palestinian security from carrying assault rifles in Hebron; and to forbid Palestinian use of a road with which his government wants to cut the town in two.

Mr Mubarak warned that if Israel persisted in imposing this "new kind of apartheid" violence would erupt.

"Even if Arafat could accept it, the people would not," the president said.

Mr Mubarak warned that hostility to Israel in the region was reaching such a pitch that even Egypt and Jordan – which have peace treaties with the Jewish state – were taking risks in dealing with the Netanyahu government. "With the present situation of mistrust and suspicion it will be very difficult even to deal on a government to government level."

He felt personally let down after inviting Mr Netanyahu to Cairo in July.

"I tried to explain to him the psychology of this part of the world," Mr Mubarak said, referring in passing to the Israeli leader's American education. "He told me: 'I would like some time. I'm committed to peace. I'm going to honour the [Oslo] agreements.' I've been waiting since July and nothing has happened."

Like King Hussein of Jordan, President Mubarak believes that their peace treaties with Israel are at risk if Israel gets away with reopening and stalling on its international commitments with the Palestinians. "The point is that now the Arabs are not going to trust any agreement with Israel."

The Egyptian leader felt vindicated in his decision not to go to the recent Washington summit, called after fierce fighting across the West Bank between Israeli troops and Palestinian policemen. Mr Arafat, Mr Netanyahu and King Hussein went, but the sole outcome of the gathering was that the still-deadlocked talks on Hebron would continue.

"I didn't have 1 per cent hope that Netanyahu could resolve the problem. I told President Clinton that it would be very difficult for me as president of Egypt to come back and face public opinion empty-handed – and it would create a lot of hostility towards the Israelis," Mr Mubarak said. King Hussein, furious at Mr Netanyahu's intransigence in Washington, said "Now I understand why President Mubarak didn't come", the Egyptian leader said.

The Cairo economic conference, the president agreed, had focused on the integration of the Arab economies rather than the prospect nurtured by Israel under Labour of a new Middle East based on cross-border trade and investment.

He hoped the Egyptian-Israeli business council set up quietly on the margins of the conference – with a political committee to lobby for the peace process – would help create momentum inside Israel, reinforcing corporate Israel's increasingly vociferous advocacy of a peace process from which it has reaped rich dividends. "If there's pressure from Israeli public opinion on the government they have to respond," he said.

"There can be no moving away from land-for-peace," the president said. The Netanyahu government, elected by giving security priority over peace, believes Israel requires a buffer of occupied land against most of its Arab neighbours. "But if you are going to work only on security now, you'll be working on security until the end of the world."

He warned too that the Israeli government's recent announcement of new Jewish settlements on Palestinian land around occupied Arab east Jerusalem was like planting "new time-bombs in the West Bank".

The president concluded pointedly by saying that leaders in the Middle East often had to take risky decisions. Mr Menachem Begin, the former leader of Mr Netanyahu's Likud party, overrode party opposition to make peace with Egypt in 1979 – a peace for which Mr Mubarak's predecessor, President Anwar Sadat, was assassinated. Mr Yitzhak Rabin, assassinated by a Jewish religious extremist last year, continued with the peace process despite suicide bombings by Islamic fundamentalists.

"We gave Netanyahu time," the president said. "He's a leader. He should take decisions. Some decisions are risky. But where peace is concerned he has to take decisions.

"I hope Mr Netanyahu can resolve this situation very quickly because otherwise violence and destruction will resume."

Anger as US ends Unido workers' tax deal

By Ian Hamilton Fazey in Vienna

Fresh tensions have surfaced between the US and the UN following Washington's decision to end taxation subsidies for some of its citizens employed in the UN, while expecting other governments to pick up the bill.

The employees concerned work for the UN Industrial Development Organisation (Unido), from which the US will withdraw on January 1 following a decision made nearly a year ago to quit.

By international convention UN employees are not taxed, although in most cases about a third of gross pay is docked at source and remitted to employees' home governments. The US, however, also insists that all its citizens file tax returns each year and pay.

To stop US citizens employed by the UN from being disadvantaged, the world body gives them extra pay to cover the tax they pay and the US then reimburses the UN. The net fiscal effect is zero.

The US has now told Unido that from January 1 it will stop reimbursing the organisation in this way.

It was initially suspected that this was an indirect way to force US employees to resign, so severing yet more US ties with the organisation.

But US diplomats then formally asked that its citizens be kept on, especially as many hold key positions in senior and budgetary management. US representatives urged Unido to absorb the costs of repayment of tax from its own resources.

Mr Mauricio de Maria y Campos, Unido's secretary-general, said yesterday: "There are fewer than 30 people and the sum involved is only $200,000, but the principle was too important for us to agree this informally. We are especially keen to hang on to the very good ones, but all the governments supporting Unido will have to agree to pay these subsidies if they are to continue."

Unido now receives more than 70 per cent of its $78m annual budget from EU countries and Japan, giving them an important say when the organisation's industrial development board – in effect its main budgetary and policymaking executive – meets in Vienna next week.

European diplomats in Vienna say there is annoyance with the US over the issue, especially since Washington owes Unido $86.5m in unpaid dues and has admitted it is likely to default.

The annoyance has been compounded by US diplomats who recently admonished other countries for not paying their dues in full and on time to the International Atomic Energy Agency, another UN body based in Vienna and one of the few UN bodies the US supports unreservedly.

"I couldn't believe my ears when we had this lecture from the US on paying the agency," one European representative to the UN said yesterday.

With the US line seen by some governments as self-serving and hypocritical, agreement to subsidise Unido's US employees is thought unlikely to be easily agreed.

The 1m hungry Hutu refugees may not be main beneficiaries of the 'humanitarian' rescue attempt

Winners and losers of UN's intervention

Throughout his tumultuous career, President Mobutu Sese Seko has always relied on the international community to come to the rescue when a threat to Zaire's national integrity looked in danger of toppling him.

It happened in the 1960s, when Belgian troops and foreign mercenaries put down a rebellion in the east. It happened twice in the 1970s, when France, Morocco and a Pan-African peacekeeping force helped to crush fighters who had invaded the southern province of Shaba from Angola.

It could be about to happen again. As the international community debates the mandate under which a Canadian-led force will intervene in Kivu province, the question is who stands to benefit most from the operation.

Will it be the more than 1m Hutu refugees facing starvation behind rebel lines, or Mr Mobutu himself, the discredited leader whose departure from the political scene was ardently desired by the west only a few years ago?

For if the US has made it clear that its 1,000 troops will be involved only in humanitarian operations in Kivu, Zaire's government is making no bones about the fact that it expects far more from the 20,000-strong international force.

"As far as Zaire is concerned, the force's mandate must tackle aspects which are not purely humanitarian," Mr Bogno Makeli, Zaire's information minister, told journalists yesterday.

"Thirty years ago the United Nations came here to help maintain the integrity of Zaire's territory. Now it cannot close its eyes to a violation of our territory. The mandate must take into account the political aspects. For what could be more political than the UN?"

Analysts have long talked of the dangers of "slippage" inherent in UN operations, the risk that a supposedly neutral force quickly becomes associated with one side in a conflict. The dangers have never been starker than in the case of eastern Zaire.

If the force goes in with the approval of the Rwandan-backed, largely Tutsi rebels who have annexed much of Kivu, it risks being accused by Kinshasa of being an accomplice in the carve-up of Zaire.

Already Kinshasa residents, always prone to conspiracy theories, are muttering darkly about an Anglophone plot orchestrated by the US and its English-speaking ally, Uganda, and Rwanda.

"There is absolutely no doubt in my mind that there is an international plot to bring about Zaire's disintegration," said an official in Prime Minister Kengo Wa Dondo's office.

"Only the French see the dangers the country's destabilisation could bring to the region."

His views are echoed by a Kinshasa-based diplomat. "Our priority is feeding the starving. But if the mandate doesn't cover re-establishing Zairean sovereignty, Kinshasa will see it as an Anglophone plot to set up a Tutsi homeland in Zaire."

But if the force takes on the rebels, it will be helping the army, currently trying with limited success to regroup in the town of Kindu, 300 km west of Bukavu, in preparation for a counter attack.

By doing so it risks losing the support of Rwanda, whose co-operation it needs to deliver aid supplies and accept the 1m Hutu refugees aid agencies hope to repatriate. In the eyes of history, the UN will be seen as yet again shoring up an African regime legendary for its corruption and human rights abuses.

As for the exiled Rwandan militiamen and soldiers who have terrorised the refugee population and prevented a return, the Rwandan government, aid agencies and Zaire – which helped to arm them in the first place – all agree they must be separated from the mass of refugees and disarmed.

But as the full implications of trying to identify and neutralise what Kigali estimates could be as many as 200,000 desperate men sink in, the international community appears increasingly to be veering towards the soft option of a feeding operation.

That would incense not only Kigali, which has backed the rebel operation in Kivu precisely because it has displaced a force that was preparing to invade Rwanda.

It would also outrage Kinshasa, which wants the camps dissolved and feels the plight of indigenous residents have been ignored in the rush of international sympathy for the refugees.

Complicating this already multi-layered conundrum are the intentions of the French, who have pushed energetically for intervention from the start. Paris's agenda remains unclear and, given its links with the genocidal former Rwandan regime and close ties to Mr Mobutu, highly suspect.

But as the rest of the international community tries to crystallise what must surely qualify as one of the most difficult operations it has ever undertaken, French troops look set to be first on the ground.

The questions are myriad and, so far, few answers have been forthcoming. At a recent Kinshasa press conference, Mr Raymond Chrétien, the UN's special envoy, insisted the refugee camps would not be recreated but gave no details how the hardliners might be neutralised.

In a presentation peppered with "I have no answer to that question," he acknowledged that the international force would have to have dealings with the rebels, but would show "total respect" for Zairean national sovereignty.

It seemed a masterly exercise in self-contradictory UN-speak.

Editorial Comment, Page 13

Michela Wrong

The crisis in central Africa

The Protagonists

The Alliance of Democratic Forces for the Liberation of Congo-Zaire (ADFL), led by Laurent Desire Kabila from Zaire's southern province of Shaba, and backed by the Tutsi-controlled armies of Rwanda and Burundi. It embraces:

Zairean Tutsis: Led by the Banyamulenge of South Kivu province, Zaire, numbering some 400,000, whom the government of Zaire is attempting to force to return to Rwanda, the country they left up to 200 years ago. The Banyamulenge, who fought with the Rwandan army after it invaded from Uganda in 1990, are supported by Banyarwanda Tutsis from the Banyarwandan in North Kivu.

People's Revolutionary Party: A Marxist-oriented group founded by Kabila in the mid-1960s, operated sporadically in eastern Zaire.

Luba rebels: Dissidents among the Luba people, of which Kabila is a member, in the diamond-producing region of southeastern Kasai.

Shaba rebels: Fighters drawn from 500,000 people who fled from the southeastern province of Shaba to neighboring Kasai in August 1992 to escape a government-inspired campaign of terror.

Kassasse's rebels: A group led by the Alliance's military commander Andre Ngandu Kassasse.

Ranged against the Alliance:

Zairian armed forces: Notoriously ill-disciplined and disorganized, the 25,000-strong Zairean army offered little resistance to the rebels, and looted shops and civilians while retreating.

Hutu militia, known as Interahamwe: responsible for the 1994 genocide in Rwanda that left more than 500,000 Tutsi dead, based in the camps holding about 1m Hutu who fled their homes fearing reprisals. The camps, thought to hold about 40,000 troops from the deposed Rwanda government and about 10,000 Interahamwe, have been used to launch cross-border raids into Rwanda. There have been reports of Hutu refugees teaming up with Zairean Hutus to drive the Tutsis out to create an ethnically pure 'Hutuland' in eastern Zaire.

US Major-general Edwin P. Smith arriving in Rwanda yesterday with his military assessment team

Operation Phoenix Tusk

Canada: Offers to lead the operation and prepared to deploy troops within 48 hours of a UN resolution: a 350-member special team providing disaster relief.

France: Ready to contribute about 1,500 soldiers, 600 within 24 hours of receiving an international mandate and a further 600 to follow 24 hours later.

US: Tentatively agrees to send about 1,000 ground troops and several thousand support personnel on condition the mission is of limited duration and made up of a multinational force. Has sent assessment team to the region.

Belgium: Ready to send soldiers to train Zairean troops but not take part directly in a force in Zaire, Rwanda or Burundi.

UK: Prepared to contribute troops but says vital details about mission need to be worked out. Is sending 20-strong military reconnaissance team to assess possible requirements.

South Africa: Prepared in principle to contribute troops but wants more information about international effort before deciding on size of involvement.

Germany: Rules out sending troops but is discussing contributing financial aid.

Spain: Has put troops on alert and says 350 to 450 soldiers could participate initially, with possible increase in numbers.

Ireland: Will provide troops if asked, possibly 100 in a specialist unit of engineers, military police or logistics personnel.

Organisation of African Unity: Ethiopia, Congo, Mali, Senegal and Tanzania committed in principle to send troops.

No neat military answers to messy reality say aid workers

By Antony Goldman in Goma

Mr Laurent Kabila, the rebel leader whose forces claim control of a swathe of eastern Zaire, yesterday called for the multinational force being sent to the region to intervene to separate extremist Rwandan Hutu militiamen from refugees.

"I am opposed to any force that is not neutral, and a force that comes here without a mandate to separate the *Interahamwe* and the refugees is unfeasible, impractical and useless," Mr Kabila told a news conference in Goma, on the Zaire border.

He was refering to Hutu *Interahamwe* militiamen who helped lead the genocide of up to 1m people in Rwanda in 1994 and who are intimidating refugees in eastern Zaire to stop them returning home.

"I don't see it is clear who is giving this mandate. We have not even been consulted by the United Nations about this," said Mr Kabila.

The rebels hold key airports in the border towns of Goma, Bukavu and Uvira which the multinational force wants to secure in order to bring in aid to the 1m refugees.

Mr Kabila's call illustrates just one of the problems facing the international relief effort soon to get under way.

Two hours of heavy shelling around Goma yesterday morning highlighted the continuing insecurity in exactly the area a UN mission is expected to operate.

Mr Kabila, based in Goma, insisted his forces were maintaining a ceasefire. Others, however, said fighting was taking place near the Magunga refugee camp, 10km west of Goma.

Some estimates say the Mugunga camp remains home to 400,000 Hutu refugees, or one third of the Rwandan and Burundian Hutus scattered in eastern Zaire by a month-long Tutsi-led revolt.

Residents who fled Goma when Mr Kabila attacked the town earlier this month are now returning with reports that soldiers of the former extremist Hutu government of Rwanda, ousted two years ago, and based in the camp have been fighting both Mr Kabila's rebels to the east and also a local Zairean militia, the Mai Mai, to the west.

Mr Musimango Ngongo, a trader who returned to Goma by boat yesterday, said that while the Mai Mai sometimes entered battle naked, they were well equipped with rifles and rocket-propelled grenades.

"They are trying to clear the road of Hutus so we can return home."

One aid worker said she had received reports that people were now fleeing the area in large numbers into the surrounding forest.

However, other Goma residents returning yesterday claimed that while fighting was taking place around Magunga, the camp itself was reasonably well stocked with food and water, and with no signs of outbreaks of cholera as aid agencies had warned.

Exactly what the international community intends to achieve through intervention in the midst of such confusion is unclear.

So far the US has said it proposes to secure Goma airport for humanitarian assistance and establish a corridor for five miles back into Rwanda for returning refugees.

Furthermore, despite the military and political nature of the conflict, the US opposes any operation to disarm combatants forcibly.

Even aid agencies maintain that provision of humanitarian assistance alone will merely freeze a refugee problem which has heightened ethnic tensions across the region for more than two years.

Distribution of emergency supplies will also pose profound logistical problems.

"The roads in Zaire are just terrible," said one driver for the UNHCR. "Just to move a vehicle 10 km could take most of a morning."

The heavy rains which fall at this time of the year will only increase the problem.

A US military assessment team, expected in Goma shortly, will find a once beautiful town still depleted of many of its people, its infrastructure in decay after years of neglect, without telephones and most goods in short supply or unavailable.

Many townspeople are therefore looking forward to the economic boom military intervention will bring.

But dealing with local authorities, anxious for formal recognition, will be far more awkward. Even those aid agencies and diplomats who have dealt with Mr Kabila acknowledge the territorial integrity of Zaire and the legitimacy of its government in Kinshasa.

But the emergence of the Mai Mai militia and Bamyamulenege forces now in control of parts of the east reflects the impotence of Zaire's central administration.

The US and Britain say they want a short-term role, with a clearly defined, limited mandate to protect humanitarian assistance. The messy and confusing reality they will find once on the ground, say aid workers, seems unlikely to permit such a neat solution.

NEWS: WORLD TRADE

Singapore bans WTO demonstrations

By James Kynge in Kuala Lumpur and Guy de Jonquières in London

Singapore warned yesterday it would not tolerate public demonstrations by pressure groups during the World Trade Organisation's five-day ministerial meeting in the city-state next month.

About 300 representatives of non-government organisations, including trade unions, environmentalists, humanitarian groups and business executives, have been invited by the WTO and will attend the plenary session of the conference.

Many want the WTO to play a role in upholding international labour rights and to permit the use of trade measures to enforce environmental standards. These demands are strongly opposed by Singapore and other Asian countries.

Some trade diplomats in Geneva say the NGOs' presence will pose a highly visible test of Singapore's ability to deal tactfully with expressions of dissent, common in the west but normally discouraged in the notoriously well-ordered city-state.

Mr Benedict Cheong, director of operations at the Singapore police force, said yesterday that NGOs would be given a space to hold press briefings during the conference but would not be allowed to protest in public.

"Our laws in Singapore are very clear, public demonstrations require a police permit. These permits are seldom if ever granted. We will not be granting any permits for public demonstrations during the WTO ministerial conference," Mr Cheong said.

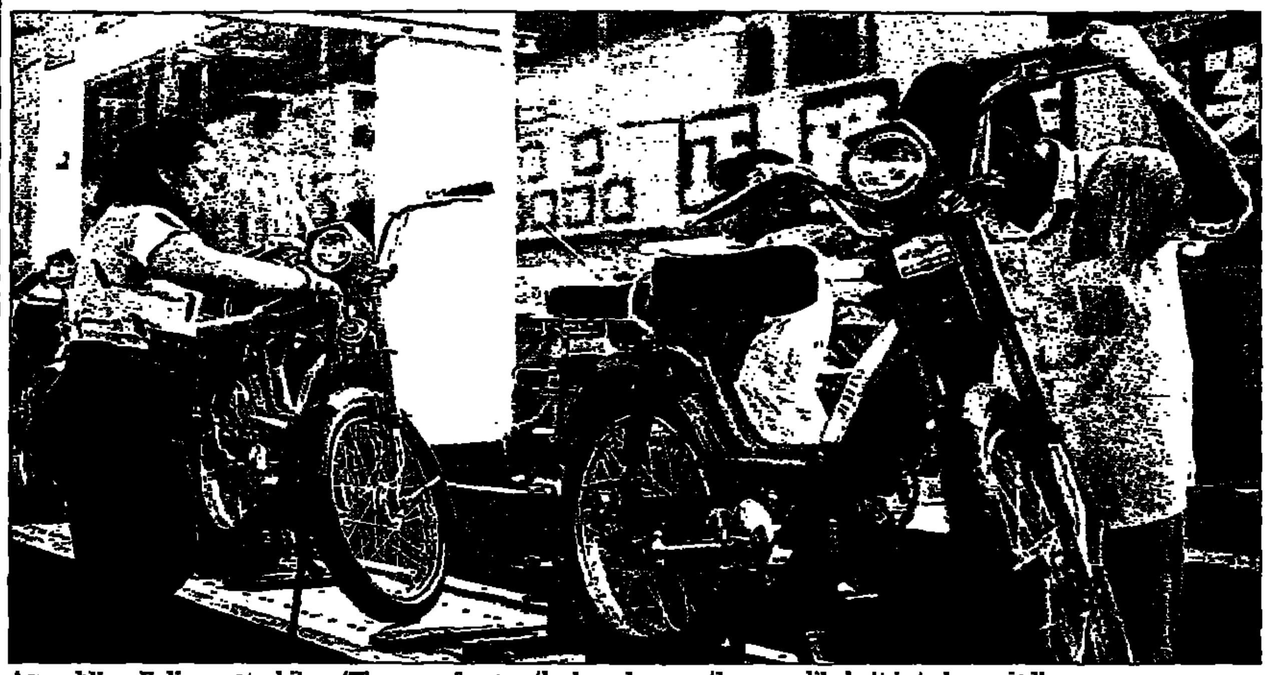
"Such demonstrations are disruptive to traffic. They are disruptive to the general law and order situation, which we feel that the participants of the conference should enjoy so that they can have a successful... incident-free [meeting]."

Special facilities have been set aside at a hotel complex, close to the WTO conference centre, for NGO representatives to meet delegates and the media.

Singapore, which is paying much of the cost of the WTO meeting, is keen to prevent controversy spilling from the conference hall on to the streets. More than 2,500 police are to be deployed to keep control during the meeting, expected to attract some 4,000 people from about 150 nations.

A senior WTO official said yesterday: "We hope and expect the Singaporean authorities will provide both security and flexibility in dealing with situations as they arise."

Recent experience suggests some activists could use the conference to air views on issues unrelated to trade. Malaysian police detained more than 100 people last week at an NGO gathering in Kuala Lumpur called to discuss human rights in East Timor, a former Portuguese colony which was seized by Indonesia.



Assembling Jialing motorbikes: 'The more famous the brand name, the more likely it is to be copied'

Mr Zhao gets a rough ride from Chinese counterfeiters

Fakes are a headache for foreign groups, but also for China's leading motorbike maker, writes **Tony Walker** in Chongqing

Mr Zhao Zimu should be a happy man. The enterprise he heads in China has a big brand name in motorbikes and a licensing agreement with Honda of Japan.

But he feels hard done by. Not only does he face cut-throat competition from other legitimate motorbike producers; counterfeiters are selling a flood of fakes with his enterprise's brand name on them.

"We've spent years and years developing a brand name and overnight they are copying our brands," says Mr Zhao, who is chairman of China Jialing Group, the country's biggest manufacturer of motorcycles.

Jialing Group, which has had a licensing agreement with Honda since 1981, has been appalled to find tens of thousands of counterfeit Jialings appearing on the market in the past several years.

Many foreign companies in China have got the same problem. But Chinese managers, such as Mr Zhao, probably feel more frustrated – and more aggrieved by the inadequacies of their own legal system to cope with fakes.

The motorcycle producer's difficulties run the full gamut of intellectual property rights abuses – ranging from parts suppliers' collaboration in the counterfeiting, to lax policing efforts, limp court action and outright corruption.

Mr Zhao's company churns out more than 1m motorbikes a year out of China's total of 8m. China is the world's number one producer.

He is among the trickle – but increasing number – of Chinese factory bosses complaining more loudly about the costs of counterfeiting.

And these voices may prove more effective in the end than international pressure on China about the problem.

Counterfeit products in China include just about every famous local brand name – Zhonghua cigarettes, pharmaceutical products, household appliances, clothes and even Maotai, the fiery rice wine that helped fuel Mao Zedong's historic "Long March" to safety in northern China ahead of the pursuing Nationalists.

As Mr Zhao says: "Every single brand name in China has copies. The more famous the brand name, the more likely it is to be copied."

He cannot put a figure on the money lost to the company through fakes. But he notes that five full-time "cadres" are dealing with it and it is also eating into the time of the factory's top management.

"I recently returned from a regional tour with a stack of complaints this thick," he says, opening wide his thumb and forefinger.

Mr Zhao is fairly dismissive of government claims to be getting on top of the problem, but he says the fault lies mainly with local authorities, whose main concern is with "local protectionism" – fostering local enterprises.

Driving the counterfeit boom in China has been an explosion in township and village enterprises – small co-operatives – which have become the economy's most dynamic element, but also the least subject to regulation.

China's State Industry and Commerce bureau, which is responsible for registering trademarks, reports that it has uncovered 100,000 trademark infringements in the past 10 years, 19,000 in 1995 alone, more than double the previous year.

Of the total, 1,426 were abuses of foreign trademarks, covering such products as Coca-Cola, Adidas sports equipment, Lacoste garments, Sony items and IBM computers.

Counterfeiters are able to undercut Jialing's prices by wide margins. For example, fake Jialing 70cc motorcycles, the company's top-selling brand, are available for Yn3,300 ($400), half the standard retail price of Yn7,800.

Counterfeit models tend to come to Jialing's attention when owners have problems with their purchases and refer their complaints to the Chongqing-based company that investigates each case. But, as Mr Zhao says, not only does the counterfeit industry take sales from Jialing, shoddy products "sow distrust among consumers".

Another important cause of counterfeiting is the growth in the number of parts suppliers. Jialing, for example, makes only a third of its components; the rest come from outside suppliers, who tend to overproduce either through bad planning or deliberately so to service counterfeiters.

Counterfeiting of motorbikes is a nationwide problem, but the centre for such activities is southern Guangdong province and around Wuxi in Jiangsu province, west of Shanghai. Officials in these areas are least helpful in Jialing's efforts to protect its brand name.

Mr Zhao describes corruption as "one of our biggest headaches", especially among local bureaux responsible for registering new businesses.

"As long as you hand over a thick envelope," he says, "the official will nod his head in approval."

WTO talks on telecoms 'encouraging'

By Frances Williams in Geneva

The latest round of negotiations on liberalising global telecommunications has been "extremely encouraging", according to the chairman of the World Trade Organisation's talks on the issue.

Mr Neil McMillan, of Britain's trade and industry department, said a number of countries planned to follow the initiative of the US and the European Union in presenting improved offers, boosting the chances of a successful conclusion to the talks by the February 15 deadline. Moreover, in a "particularly helpful" move the US had assured trading partners that it would open its market for international services on a non-discriminatory basis.

He said Washington was apparently now satisfied that it could tackle the problem of unfair competition from foreign telecoms companies through licensing conditions applicable to all. US officials say they hope to draft new licensing rules by the end of the year.

US officials also assured negotiators this week that Tuesday's US Supreme Court ruling on regulation of local telecoms networks would not impair foreign access to the US market.

The decision by Washington to include both international and satellite services in its revised offer means that two of the biggest obstacles to agreement have been removed. Last April the US scuppered the talks by threatening to remove both types of service from a liberalisation deal.

The US and EU now hope that the ground has been cleared to seek better market access commitments from others, especially in Asia and Latin America. Both have stressed that their offers are conditional on a "critical mass" of liberalisation commitments from the 50 or so countries taking part in the talks.

Mr McMillan said yesterday that six countries had indicated their intention to make new or revised offers by the time of the WTO ministerial meeting in Singapore next month. South Africa plans to make an offer for the first time and revised offers are expected from Singapore, South Korea, Mexico, Poland and India.

Canada and Brazil hope to present improved offers in January, while Slovakia put in a revised offer yesterday. However, Malaysia and Indonesia, neither of which has made an offer so far, are conspicuously silent.

Telecoms officials, including Mr McMillan, will be going to the ministerial meeting in the hope of giving the talks extra impetus. "It's the last chance to have an agreement this century and we would be very foolish to pass up this opportunity," Mr McMillan said.

WORLD TRADE NEWS DIGEST

US in computer tariff dispute

The US has complained to the World Trade Organisation about European Union tariff increases following the reclassification of computer networking equipment. It is the first WTO case to deal with a reclassification issue, according to the American Electronics Association.

In June 1995 and in February 1996 the European Commission reclassified almost all networking equipment, taking it out of a lower tariff computer-related category with 2 per cent tariffs into a telecommunications classification with 7.5 per cent duties.

The US says this is a violation of tariffs agreed in the Uruguay Round. *Nancy Dunne, Washington*

US warns the Philippines

The US has warned the Philippines that it may be reinstated on Washington's "priority watch list" for intellectual property rights (IPR) violations if it fails to enact a bill protecting copyrights this year. Mr Tom Hubbard, the US ambassador to Manila, said in a letter to the Philippine government that up to $2bn in Philippine exports to the US could be affected if the Philippine congress failed to enact the legislation. The US is the Philippines' largest export market.

The letter also warned Manila that the proposed bill contained elements which were objectionable to US companies including a clause on "decompilation" which allowed companies to break up software and sell it in separate parts. *Edward Luce, Manila*

Unocal to fund Burma import

Burma's military regime, badly strapped for hard currency, has bought $7m of fertiliser on credit from US oil company Unocal, with the purchase to be funded with revenue from a gas pipeline still under construction and which will not contribute profits until 2001.

Unocal, along with its partner in the $1.2bn pipeline, has come under criticism from human rights and labour groups for helping to prop up Burma's military government with crucial foreign investment that will produce hard currency earnings. The company has often rejected this claim.

In addition to being able to conserve foreign reserves, the fertiliser will help the regime boost rice exports, which fell to about 300,000 tonnes last year, down from 1m tonnes a year before, partly due to a fertiliser shortage. Approximately half of government hard currency expenditure in Burma goes to purchase military equipment. *Ted Bardacke, Bangkok*

Canada to sign Chile pact

Ottawa plans to have a Canada-Chile free trade deal ready for signing when President Eduardo Frei meets Mr Jean Chretien, the Canadian prime minister, at the weekend, officials confirmed. Efforts to bring Chile into the North American Free Trade Agreement were stymied by the US Congress nearly two years ago but President Clinton is now expected to seek approval for new talks early next year. Mexico, already a member of Nafta, has a bilateral free trade pact with Chile. *Robert Gibbens, Montreal*

Dubai picks aluminium fight with France

By Robin Allen in Kuwait

Dubai Aluminium (Dubal) is threatening to boycott French aluminium technology because of French support for EU tariffs which hinder Dubal's aluminium sales.

At the centre of Dubal's criticism is the French group Pechiney and the European Aluminium Association (EAA), whose chairman, Mr Bernard Legrand, is head of Pechiney's aluminium division. Dubal believes Pechiney is playing a key role in resisting pressure from British aluminium companies to remove the EU's 6 per cent duty.

Dubal's chief executive officer, Mr Ian Rugeroni, indicated yesterday that Dubal would "take a hard look" at any bid Pechiney might submit to supply equipment for Dubal's expansion plan. Pechiney is one of four international companies bidding for a $10m-$15m contract for environment-friendly equipment to extract residues from aluminium smelter pots.

French officials appeared unimpressed by the prospect of Dubal's hard line. "The EU's 6 per cent tariff is not confined to aluminium," said the foreign ministry's commercial section. "It is only one element in a common external tariff set by all 15 EU members. Any modification has to be approved by the EU as a whole."

He said talks had been going on for some time between the EU and the Gulf countries on a range of issues, and pointed out that the Gulf countries themselves had yet to harmonise their own tariff structure.

The possibility of a "boycott" of Pechiney by Dubal evoked a similar dry response. "There are international regulations and practices in force concerning bids from whomever it might be. The UAE and some other Gulf countries subscribe to these like other World Trade Organisation members."

EU ostrich ban angers South Africa

By Roger Matthews in Johannesburg

South Africa is to protest to the European Union over its ban on imports of ostrich meat and live birds following an outbreak of Congo fever.

One abattoir worker died last week and another 16 have been infected in Oudtshoorn, the south-western town at the centre of South Africa's ostrich industry.

The ministry of health in Pretoria said yesterday it was concerned that the EU ban – imposed temporarily while the dangers are investigated – would apply to the entire country, when the outbreak was confined to just one area.

The EU has said it will review the ban if research confirmed that the disease could not spread through eating ostrich meat.

Congo disease, which causes severe internal bleeding and is fatal in a third of cases, is transmitted by ticks. Previous outbreaks in South Africa have been localised and quickly contained.

However, medical officials believe this is the first time there has been evidence of the ticks being carried by ostriches.

The EU ban is potentially serious for South Africa, which supplies about 80 per cent of world demand for ostrich meat. The two abattoirs belonging to the Klein Karoo co-operative in Oudtshoorn, which slaughter about 5,000 birds a week, have been closed and ostrich meat valued at R4m ($869,000) destroyed. The 400 abattoir workers are reporting daily for medical checks.

Mr Attie de Waal, head of the co-operative, said the decision to destroy the meat had been taken to protect the industry's name.

"We want to be absolutely sure that there is no risk," he said. One proposal being considered was to quarantine the birds for two weeks before slaughter.

Penalties likely for firms causing delays in electronic settlement system

Brokers may face Crest curbs

By John Gapper, in London

Stockbroking firms that cause delays within Crest, the electronic share settlement system, could face restrictions on the amount of business they conduct, it was suggested yesterday.

Mr Iain Saville, chief executive of CrestCo, which operates Crest, said restrictions on some brokers might be imposed as an alternative to delaying Crest's start by the due date in April.

He said he believed that CrestCo's board would not delay transition to Crest from Talisman, the London Stock Exchange's paper-based settlement system, at a meeting on November 25.

However, regulators might take action against firms responsible for the build-up of 30,000 unsettled transactions within Crest.

"Some people are having a very difficult time, and we have to decide if there are so many slow ships in the convoy that we have to slow the whole thing down," said Mr Saville. Delaying Crest would create extra costs, he added.

The Stock Exchange and the Securities and Futures Authority are visiting 243 firms participating in Crest to see how they are coping. The SFA has the power to restrict business by any of its members' firms. Crest has suggested that many of the worst-performing firms are smaller private client brokers linked to the system with off-the-shelf software. Mr Saville said the performance of these software packages varied greatly.

However, the Association of Private Client Investment Managers and Stockbrokers warned that its members would protest against any attempt to penalise them because they could not do what Crest demanded.

"We were told this was a system that worked for the entire market. Many of the problems being blamed on our members are Crest's own doing, and it is not their fault that they must settle a lot of small transactions," Mr Geoffrey Turner, chief executive, said.

Crest has been hit by a series of software and other delays which have led to settlement taking more time than expected. Mr Saville said it was "right to stabilise, give people a chance to catch up, and see if we can stick to the target".

The most serious delays to the system had occurred at the end of last month, and changes had been made to speed up settlement. These have reduced the number of transactions taking more than 30 minutes.

Mr Saville said the software had been adjusted to prevent firms which used Crest more intensively than others taking up excessive processing capacity. It was also possible for Crest to upgrade its processing capacity easily.

Some processes including "circles", a process to settle linked transactions at the same time, had been halted to prevent them delaying other transactions. However, they would be amended to work better this month.

Investment bank settlement directors have written to Mr Saville to demand that Crest meets agreed service standards. However, Mr Saville said this could not happen immediately.

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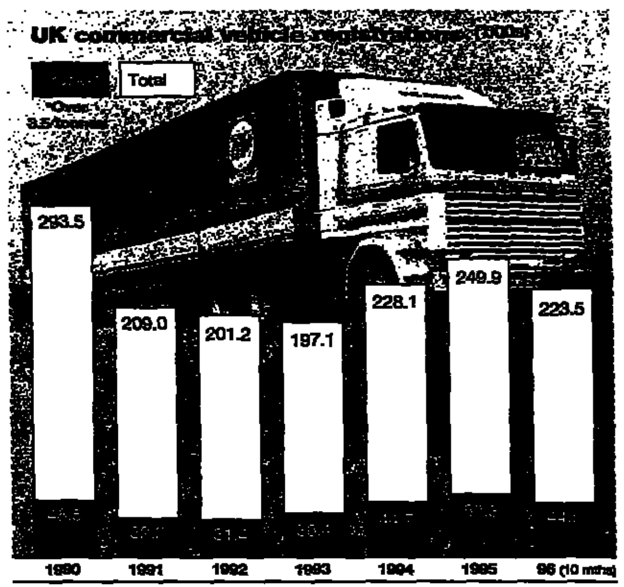
Sales trend in trucks jolts manufacturers

Headlong rush to beat tougher EU rules on noise and emissions has distorted statistics



Registrations of commercial vehicles weighing more than 3.5 tonnes surged in the UK in September, as hauliers raced to beat the introduction of stiffer European Union noise and emission rules on vehicles sold after October 1.

The rush to beat the deadline has caused a sharp blip in this year's truck registrations. After surging by 121 per cent in September, registrations of vehicles of more than 3.5 tonnes slumped by almost 40 per cent last month.

Trucks meeting the new "Euro 2" noise and emission requirements are about 5 per cent dearer than their predecessors. That margin, equivalent to about £1,500-£2,000 ($2,500-£3,300) on the price of an average heavy truck, may not seem like much for a more environmentally-friendly vehicle boasting the latest technology. But in the tough haulage market such apparently modest sums can make a big difference, says Mr David Thomas, director of commercial vehicles at Mercedes-Benz (UK).

The headline price figure masks additional factors which make new trucks even less appealing than Euro 1 models. Many manufacturers have been offering big discounts on their older vehicles to clear the way for Euro 2 standard stock, helping to explain the surge in September sales.

Hauliers tend to be extremely conservative, and most are happy to stick with a model which has proved reliable even when it is about to be superseded. Native caution has been reinforced by rumours that some Euro 2 models are less fuel-efficient than their predecessors.

Manufacturers admit they have been taken aback by the market's reaction to the new rules. Many had predicted a distortion. "No one knew quite what the effect would be.

But we all expected it would come earlier. Instead, it came at the very last moment," said Mr Nigel Emms, head of external relations at Iveco-Ford.

The British and French markets are unusual within the EU in reacting so strongly to new rules, said Mr Thomas. In Belgium and the Netherlands, by contrast, Euro 2 standard vehicles were on sale in response to hauliers' demand months before the new rules came into force. Mr Thomas said the transport industry in Britain tends to accept new standards with reluctance.

Truckmakers fear the impact of the new rules will continue to distort UK registrations until the end of the year.

"We believe it will take another three or four months for the pull-forward effect to wear out," said Mr Tony Pain, marketing manager of Leyland Daf Trucks.

However, the distortion has masked a broader decline in truck demand in recent months. After a strong start to the year, the rate of increase in new truck registrations slipped to 0.6 per cent in the first 10 months compared with the same period last year. The fall was even sharper for heavy vehicles of more than 15 tonnes, with a 3.7 per cent decline.

The likely decline in demand has prompted manufacturers to revise their 1997 sales forecasts. Mr Pain is hopeful that demand will revive after the second half of next year as hauliers react to a forecast rise in manufacturing output.

"We think next year's heavy truck market will be down slightly at about 50,000 units compared with our forecast of around 52,000 units this year," said Mr Emms.

Haig Simonian

Lloyd's begins reform of its structure

By Jim Kelly in London

The Lloyd's of London insurance market yesterday took its first step towards "unbundling" its monopoly in supplying the insurance market with £180m ($297m) of services by unveiling a radical restructuring of its central organisation.

In an attempt to increase competitiveness at the market following the completion of its recovery plan, Lloyd's is to create five business units to provide essential services.

Some of the services may stay within the control of Lloyd's, others may be carried out by users "in house", and others "spun off" to provide greater choice. Some units may even expand outside Lloyd's to provide services for the wider insurance market.

To help rebuild the partnership between the market and Lloyd's central organisation – the corporation – each unit will be responsible to a new "user board" with four or five members from the market. In the long term, there will be greater emphasis on providing services on a "user pays" basis – although executives insisted that for the foreseeable future Lloyd's would remain a market based on subscription.

Mr Ron Sandler, Lloyd's chief executive, said the changes were designed to "apply greater commercial discipline" to the corporation and align it "more closely with the business objectives of the market".

He said some services, such as maintaining regulatory relationships with overseas authorities, were "natural monopolies". Others – such as marketing consultancy and the claims office – might be suitable for "unbundling".

The five business units are:

● North America. An office will be opened in New York responsible for supervising links with regulators and promoting the market.

● Members' services, including the administration of members' funds.

● Insurance services, including the work of the claims' office.

● Facilities management, including catering, purchasing and building management.

● Business development, including negotiating new licences, distribution policy, brand promotion and protection.

The new units come on stream on January 1 1997 and will be expected to have prepared business plans by the end of the first quarter of 1997.

The aim will be to "allocate costs more accurately" and "to progressively eliminate subsidies from the general membership subscriptions". Some job losses were expected.

Inflation surge sparks rate rise fears

By Robert Chote, Economics Editor

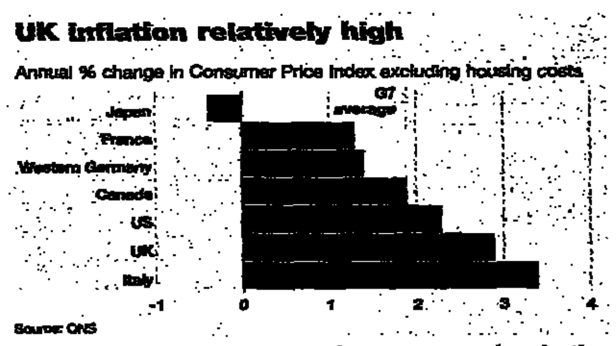
An unexpected surge in the government's target measure of inflation yesterday forced the Treasury on to the defensive and prompted speculation that interest rates might have to rise again this year.

The underlying rate of inflation – which excludes mortgage interest payments – rose to 3.3 per cent last month from 2.9 per cent in September, according to the Office for National Statistics.

This was the biggest monthly jump in more than six years and took underlying inflation to its highest level since September 1993.

UK inflation relatively high

Annual % change in Consumer Price Index excluding housing costs



Source: ONS

The increase was twice as large as City of London economists had expected, taking the rate further above the government's target of 2.5 per cent or below.

The headline inflation rate also rose more sharply than expected, jumping from 2.1 per cent in September to 2.7 per cent last month. The main sources of upward pressure were mortgage payments, petrol prices, insurance premiums and seasonal food prices.

But Mr Kenneth Clarke, the chief Treasury minister, argued that the financial markets should have expected yesterday's figures to look bad.

"The reason the inflation rate has gone up is because last year there was the largest fall in retail prices in any October since the war," he said. This October prices were flat, leaving the retail prices index at 153.8. Household insurance premiums and seasonal food prices both fell last month, but by less than in October 1995.

In spite of the Treasury's reassurances, expectations of another interest rate increase strengthened in the financial futures market. The December short-sterling contract indicates that rates are expected to rise by half a point next month to 6.5 per cent. The pound climbed on expectations of higher base rates, closing 0.6 points up at 91.9 per cent of its 1990 value. During the day it hit a four-year high against the US dollar and a 30-month high against the D-Mark.

Mr John Major, the prime minister, insisted that inflation would fall back within its target range in the coming months, a claim met with scepticism by the opposition Labour party.

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Ex-minister rages at 'state called Europe'

By John Kampfner, and James Blitz

Lord Tebbit, a former chairman of the governing Conservative party, last night sought to smash the government's truce on European Union integration with an impassioned call for a new political party to fight the creation of a "state called Europe".

He said in an attempt by Mr John Major, the prime minister, to "shackle" the UK into European monetary union would destroy the party. Lord Tebbit was a senior minister in the Thatcher governments of the early 1980s.

He said Eurosceptics from across the political spectrum could unite to form a "potential party of government" if there was any attempt to take Britain into a single currency. "All those Conservatives who believe freedom, independence and democracy matter above all other political programmes would leave to join with those of other parties or none who shared their view," he said.

Lord Tebbit was giving the first lecture organised by the Conservative 2000 Foundation, an organisation created by Mr John Redwood, the former cabinet minister who unsuccessfully challenged Mr Major for leadership of the party last year. Lord Tebbit said that, if Britain did join a single currency, it would take "not an act of Parliament but an act of rebellion to regain our freedom to govern ourselves".

He was openly contemptuous of the response in the House of Commons to this week's ruling by the European Court of Justice against Britain on the EU directive imposing a 48-hour working week. "We have seen a Parliament composed largely of parliamentary pygmies accepting a slide towards being little more than a provincial assembly with subordinate powers," Lord Tebbit said.

● Mr Tony Blair, the opposition Labour party leader, will today warn Britain's European Union partners that the UK has no appetite for more rounds of EU employment legislation after the imposition of the working time directive.

In a speech to business leaders in Paris, Mr Blair will indicate that a Labour government would probably take a critical view of new attempts to extend the remit of EU employment legislation, and that "a different approach" on worker rights must be found.

Mr Blair, who will be holding talks with President Chirac in the Elysée Palace, will say that this week's row over the imposition of the EU directive on Britain has been "hugely overblown".

In contrast to Mr John Major's government, he will argue that "any civilised country" would legislate to introduce an average 48 hour working week.

But he will add there is "no further appetite among other countries in Europe for vast new amounts of labour market regulation".

While there should be minimum standards of fair treatment at work, a new approach to the labour market would be required: "Everything must be judged against whether we improve competitiveness and offer employment opportunity through this new economic approach."

Philip Stephens, Page 12

UK NEWS DIGEST

$300m diesel centre launched

European Engine Alliance, a $300m joint venture between some of the biggest names in the motor industry to design and build a new generation of environmentally "clean" and economical diesel engines, has set up headquarters in High Wycombe about 40km west of London.

The centre will house about 60 engineers and other technical specialists, who will lead development of the engines for Cummins Engine of the US and two subsidiaries of Fiat of Italy: commercial vehicle maker Iveco and New Holland, the agricultural and construction equipment maker partially floated on the New York Stock Exchange earlier this month. The engines will be mainly designed and developed at the UK centre, with manufacture concentrated on a new $200m facility being built near Turin.

The project is one of the largest-scale diesel engine collaborations ever attempted by the industry, with output of at least 200,000 units a year envisaged at Turin for early next century. The engines will also be produced at other Cummins facilities, lifting total annual output to about 400,000 units. *John Griffiths*

■ NATIONAL LOTTERY FUNDING

Athletes pledged $65m a year

The biggest-ever funding package for British sport was unveiled yesterday when the Sports Council announced plans to spend £40m ($65m) of National Lottery money every year on individual competitors, coaching, talent development and programmes to lure major championships to the UK.

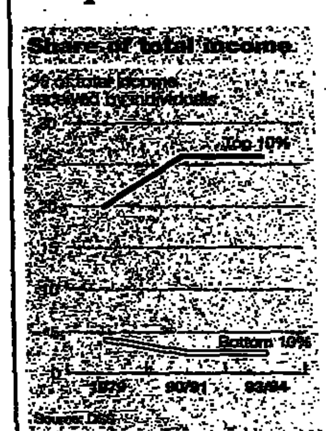
Under the council's World Class Performance scheme, £20m will be provided every year to help up to 4,500 potential medal-winners and other promising athletes with their training and competition.

The programme was made possible only after Lottery funding rules outlawing grants to individuals were changed. It was set up following the criticism this summer of the poor showing by British competitors at the Atlanta Olympic games.

Sir Rodney Walker, chairman of the council, said of the eight-year scheme: "It is not a quick fix but a long-term plan. It will mean that those individuals who dedicate their lives to bringing medals back to this country will not pay a financial price as so many have done in the past." *Patrick Harverson*

■ PROSPERITY TRENDS

Inequalities cease to widen



Income inequalities in the UK have ceased to widen, halting a 15-year trend which has been widely characterised as the poor getting poorer while the rich get richer. The latest edition of the government's *Households Below Average Income* shows that since 1990 the share of total income taken by the bottom 10 per cent of the population has remained static at 2.5 per cent after housing costs, the measure usually judged to provide the fairest picture of individual living standards. At the same time, on figures which go up to March 1995, the share taken by the top 10 per cent has remained constant at 26 per cent. The numbers reflect "a marked break in the trend" of increasing inequality, government statisticians said yesterday, producing, at the least, a pause in a pattern which has seen inequality rise faster in the UK than in any other western country for which there is comparable data.

Broadly speaking, up to 1976, inequality narrowed in the UK for a century or more. Since then it has widened dramatically, with the poorest 10 per cent of the population seeing their share of the total income fall by 40 per cent, from 4.1 per cent in 1979 to 2.5 per cent in 1990. At the same time, the richest 10 per cent saw their share increase by 30 per cent to 26 per cent of the total after tax income. Since 1990, however, those positions have remained constant. *Nicholas Timmins*

■ CONSTRUCTION EQUIPMENT

Caterpillar moves production

Caterpillar of the US, the world's biggest maker of construction equipment, is shifting the production of excavator components from Italian and German suppliers to a new UK factory.

The plant, being built at Skinningrove in north-east England, will make steel track shoes for Caterpillar's two biggest European excavator factories in Gosselies, Belgium, and Grenoble, France. Caterpillar said it had looked at other European locations before settling on the UK for the new plant and had picked Britain because of its "attractive" business climate. The company employs about 1,000 people in Britain. *Peter Marsh*

■ RAILWAY MAINTENANCE

Adtranz to shed 188 staff

ABB Daimler-Benz Transportation (Adtranz) is to make redundant a further 188 employees at its railway maintenance workshop in Doncaster, north-east England, eight months after announcing a first round of redundancies.

The latest cuts were caused by a decline in maintenance work on freight locomotives as a result of privatisation but Adtranz believes that the market will recover in 1998, it said yesterday. The workforce will now be 150 compared with the 600 people employed when it was acquired by Adtranz from British Rail, the former state network, in June 1995. *Charles Batchelor*

Scots sootblower set to take on the world

Leader in small market has acquired German and Belgian companies in drive for 'hyper-growth'

Three years ago, Mr Jim McColl, executive chairman of Clyde Blowers, made no secret of his ambitions. "We aim to be a hyper-growth company over the next five years, and build a big engineering group based in Scotland," he said in December 1993.

At that point, Clyde Blowers had a market value of £10.9m and, with sales of £7.4m, was a modest force. Now, with the recent acquisition of Bergemann, a rival in Germany and the US, its market value is £38m ($62.7m).

Though still very small, it is one of the two world leaders in an esoteric niche of the engineering industry and is a rare example of revival in Scottish engineering. Clyde Blowers makes sootblowing equipment, which removes the soot formed by oil and coal in industrial boilers. It was founded in the 1920s and joined the Stock Exchange in 1959.

But it had been stagnating for a long time when, in early 1992, Mr McColl bought a 29.9 per cent stake and 3i, the venture capital group, took 14 per cent. Since then, Mr McColl, a 44-year-old engineer with company doctor experience, has reorganised the company and expanded it mainly by acquisition.

It bought a Belgian competitor in sootblowing and now has offices in Beijing, Singapore and Poland. About 70 per cent of turnover comes from sales outside the UK. It also moved into the materials handling industry, with three acquisitions in the UK. This involves equipment to take away ash and soot, much of it bought by the same customers as for sootblowers.

With the acquisition of Bergemann, Clyde Blowers' share of the world sootblowing market will jump from 11 per cent to 40 percent, about equal to that of the US company Diamond Power.

Bergemann has annual sales of about £30m, controls 90 per cent of the German market and is strong in eastern Europe, the former Soviet Union and the US.

It had focused on gaining market share at the expense of margins and in 1995 the German subsidiary plunged into loss, though it remained profitable in the US.

In September, Deutsche Babcock sold Bergemann to Clyde Blowers for £17.1m as part of a restructuring programme in the face of losses. To finance the purchase, Clyde Blowers raised £13m through a 2-for-3 rights issue at a 28 per cent discount, its third cash call in four years.

A fund manager at Standard Life, which is one of Clyde Blowers' new shareholders with 5 per cent, says: "On the basis of his track record, we believe Mr McColl can turn Bergemann round."

The takeover will increase Clyde Blowers' asset base from £8m in 1995 to £21.4m, while gearing will remain at about 50 per cent. Results, which have turned round from losses of £141,000 in 1992 to pre-tax profits of £1.56m in 1995, are estimated by the company at £2.3m in the year to August 31.

One analyst forecast profits of £4.6m for next year, before exceptional restructuring costs of £1m. Reviving a company in Germany is a big challenge for Clyde Blowers. Mr McColl is aiming to raise Bergemann's margins to 10 per cent by 1998, improve its cash management and instil British and US management attitudes.

"We went too slowly in integrating our Belgian acquisition and learnt some hard lessons," he says.

Although sootblowing is a mature industry, Mr McColl says the outlook is good. Orders for new steam-powered generating plants – all requiring soot removal – are forecast to rise annually until 2006, according to GEC Alsthom, and much of that will be in Asia where Clyde Blowers is strong.

It also intends to expand the materials handling business which will account for about half Clyde Blowers' enlarged turnover of between £85m and £90m. Mr McColl makes the bold statement that he would like Clyde Blowers to have a market capitalisation of £300m by 2000, which entails another large purchase, but he does not identify where it might be.

"There are ample opportunities in the sectors we are in, but if there's another sector we see synergy with, we would look at it," Mr McColl says. "Meanwhile, we need to focus more on margin improvement, which will have big impact on shareholder value. As a big shareholder myself, I have an obvious interest in that."

James Buxton

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TECHNOLOGY

Quick response: new digital mobile systems will allow emergency services to relay video images via walkie-talkie

War of waves

Andrew Baxter looks at two mobile digital systems vying for control of the new generation of networks

You are a police officer on the street, confronted by a suspected criminal. Using your video camera and a radio, you transmit a video image to your control room and seconds later receive confirmation of his identity.

Or maybe you are running a big city bus system. There has been an accident at an intersection, so you send data messages to terminals at bus stops warning prospective passengers of delays.

These are the kind of uses that emergency services, utilities and public transport companies are expecting from a new generation of digital private mobile radio systems. Over the next few years, they will replace the crackly voice-only analogue systems which these services have relied on for decades.

"A fireman could receive building plans over the radio or send a video back to base," says Jeremy Snowdon, chief electronics engineer for the States of Jersey. Since March, it has been testing a new digital system called Dimetra, (Digital Motorola European Trunked Radio), which Motorola launched amid the obligatory dry ice and flashing lights this week.

The launch is a big step forwards for the digital systems, as Dimetra is the first range to conform to the so-called Tetra (trans-European trunked radio) standard, which is in the final stages of approval by the European Telecommunications Standards Institute. "In a standards environment, he who is first wins," says Jonathan Paget, European general manager of Motorola's radio network solutions group.

The Dimetra range will begin its "phased roll-out" next summer, but Motorola will not have the market to itself. Other companies, including Nokia of Finland, are likely to introduce Tetra-based products. And with the launch of Dimetra, the gloves are off in a bitter turf war between supporters of Tetra and proponents of Tetrapol. This is a rival digital system championed by France's Matra Communications and is already on sale. The two systems can work together, but only on a limited basis, which will disappoint authorities battling cross-border crime.

The new digital systems have been developed because of a general recognition that conventional cellular networks could not meet all the needs of security forces, emergency services, and civilian users such as bus operators.

Users will be able to connect equipment such as barcode scanners and video cameras to their mobiles. Police forces get special emergency buttons on their portables and their radio messages encrypted. In some systems, large numbers of users can listen simultaneously to an operator's instructions. "Direct-mode" calls can also be made from mobile to mobile, without passing through the infrastructure, which would be impossible in a cellular network.

Tetra uses a process known as Time Division Multiple Access, in which several simultaneous calls are each given a time slot within one 25KHz-wide radio channel. In contrast, the Tetrapol system and a US standard called APCO 25 use Frequency Division Multiple Access in which each call occupies a narrower, 10KHz or 12.5KHz, chunk of the frequency.

Engineers argue endlessly about which system is better for private mobile radio systems, says Paget. Motorola says the time division process is more flexible due to the wider bandwidth, and says the batteries in the portables last longer. Also, it says, duplex conversations (both ends of the conversation talking at once) are more difficult on a frequency division system.

The latter's supporters say the system is better suited for large networks with few users, such as a police network. "With a large network, FDMA drastically reduces the number of base stations, cutting the cost of the infrastructure," says Hubert Azemard, president of the Tetrapol Forum, which groups Matra, foreign-owned subsidiaries, and allies including Bull and Nortel. Also, he says, it works better in hilly terrain and cities, and is much easier to use for simulcasts or group-wide messaging.

The two sides' perceptions of their own market positions are poles apart. With 13 principal customers in Europe, Asia and the Middle East – including the French gendarmerie's Rubis network and the French national police's fledgling Acropol network – Tetrapol has become a *de facto* standard, says Azemard.

That is not how Motorola sees it. "The Matra system is not a standard ... they are brilliant at marketing it as a standard, but it isn't," counters Paget. "Tetra is the solution which a majority of countries, manufacturers and users are vigorously supporting, and Matra is very much out on a limb." Things seemed to be moving in Motorola and Tetra's direction last month when the Tetrapol Forum said it had temporarily suspended a process of turning its technology into an Etsi standard. Motorola gleefully called on Matra to throw in the towel.

But the Tetrapol side intends to come back in a few months to win official recognition. "More and more regulators are sure that the two technologies need to be available in Europe," says Azemard. In particular, he claims, some 70 per cent of the overall PMR market is using narrowband 12.5KHz radio: "Users who want to migrate from analogue to digital will have to migrate in the frequency band they have."

The next three to four years could produce more than $1bn (£606m) of orders for digital systems in Europe, and so far Motorola has just one small contract for a Tetra system, from Oslo airport. But the US company believes Tetra technology will pick up the big nationwide system orders that are in the offing. "People have been waiting for Tetra," says Paget. "It will lead to an explosion of sales."

Azemard, meanwhile, remains confident. "Why should we not be?" he says. "We are four to five years ahead of Tetra."

MANAGEMENT

Still crazy after all these years

Adrian Furnham offers his advice on how to pick the best candidates for a job – and avoid the worst

Sinking substantial sums of money into the recruitment and training of new employees may be just the beginning. Picking the wrong candidate at the interview may leave an organisation paying for years to come.

Few companies will have escaped all of the following failures: people who seem to cave in at the first sign of stress; those with long, impressive qualifications who seem incapable of learning; hypochondriacs whose absentee record becomes astonishing; and the borderline psychopath later discovered to be a thief or worse.

Less dramatic, but just as much of a drain on the organisation, is the person who simply does not come up to expectations; who does not quite deliver; who never becomes a high-flyer or even a steady performer; the employee with a fine future behind him or her; the also-ran.

The first point to bear in mind at the recruitment stage is that people don't change. Despite the fact that self-help books, sermons and workshop presenters tell us that personal change is common, possible and desirable, most of the evidence is against them.

Try going to a school reunion to see, apart from wrinkles, how little one's classmates have changed over the years. Once one has become an adult, very little changes. Intelligence levels decline modestly, but change little over the working life. The same is true of abilities, be they with language, numbers, music or lateral thinking.

Most people like to think that personality can change, particularly the more negative features such as anxiety, low self-esteem, a tendency to depression, impulsiveness or a lack of emotional warmth.

But data collected 50 years apart gives the clear message: still stable after all these years. Extroverts become marginally less extroverted; the acutely shy appear a little less so, but the fundamentals remain much the same. Personal crises can affect the way we cope with things: we might take up or drop drink, drugs, religion or relaxation techniques, which can have pretty dramatic effects. Skills can be improved, certainly, and new ones introduced, but at rather different rates.

People can be groomed for a job. Just as politicians are carefully packaged and repackaged through dress, hairstyle and speech therapists, so people can be sent on training courses, diplomas or experimental weekends. But

Try going to a school reunion to see, apart from wrinkles, how little one's classmates have changed over the years

there is a cost to this which may be more than the upfront price of a course. Better to select for what you actually see rather than attempt to change it. Acquiring and retaining skills is expensive and difficult. The cost may simply not be worth it.

What should selectors look out for when faced with a choice of candidates for a job? Here are some of the fundamentals.

● Intelligence or ability. If you prefer to be politically correct, try capacity, cognitive potential, educational attainability. Since the turn of the century we have known about what psychologists call g- (it stands for general intelligence).

Despite the hype of *idiot savants*, bright people are pretty good at most things; and dim people pretty bad. On average, bright people learn faster and adapt more quickly – when they want to. Selectors and assessors are scared of giving IQ tests but they do use specific ability tests. School marks and university grades are only weak indicators of intelligence. Intelligence is a must.

● Emotional stability. Neuroticism, or what the Americans call "negative affectivity", is a powerful predictor of job success. The emotionally unstable are poor at customer relations, become capricious and irascible managers and are prone to high levels of absenteeism, even accidents.

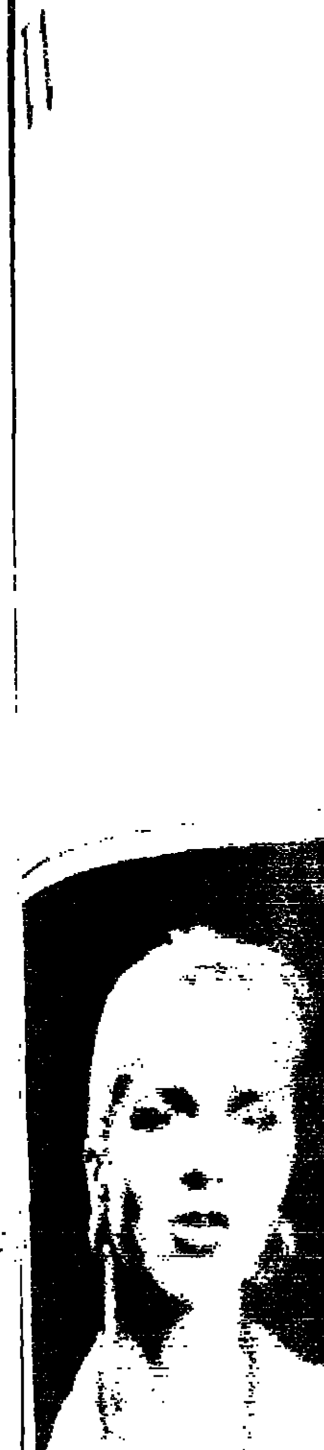
Neuroticism is a warning sign. There is a mountain of evidence that suggests both that neuroticism does not change much and is related to career failure. Thus one selects for its opposite – the stable; the phlegmatic; the emotionally adjusted.

● Conscientiousness. The work ethic is a powerful indicator of success. Often developed in childhood by ambitious, future-oriented, middle-class parents, the conscientious are, by definition, diligent, responsible, punctilious and dutiful. They are conscientious on and off the job and this attribute therefore is not too difficult to assess. They can be counted upon, and their conscience is a powerful controller of their work style. Some may be a little risk-averse, others a little too self-deprecating, but they can always be relied on. It is the reliability of the conscientious that makes them an asset.

So that is all you need: bright, stable, conscientious people. Two out of three won't do. The full trio is a shorthand for the traits of fast-trackers.

While some stars may ascend in the management firmament without some of these characteristics, those possessing all three are a safe bet.

Adrian Furnham is an organisational psychologist at University College London



ARTS

The composer's choice

Andrew Clark talks to the versatile conductor Elgar Howarth about his career

Whenever Elgar Howarth sits down to learn a complex modern score, there comes a crisis-point when he convinces himself he cannot do it. "The same thing happens over and over again – you doubt yourself, you think you'll never understand it," says Howarth, who conducts the first British production of Bernd Alois Zimmermann's *Die Soldaten* at English National Opera next Tuesday. "And then, somewhere in the learning process, it suddenly clicks, and you know how you want to do it. There are three parts to being a conductor – learning, rehearsal and performance – and the learning part is when I get most nervous."

Such an admission belies the ease with which Howarth unravels difficult scores. He has one of the clearest techniques in the business; he is unflappable; and he is rare among conductors in being more interested in the music than in his own career. All of which helps to explain why composers prize him so highly. György Ligeti insisted he should conduct the world premiere of *Le Grand Macabre* in 1978, even though Howarth had no previous experience as a theatre conductor. Sir Harrison Birtwistle handed him the premieres of three of his operas – including *Gawain*, which Howarth says is an even bigger challenge than the horrendously difficult *Die Soldaten*. He has just won a *Gramophone* award for its first recording.

Howarth's career has probably suffered from his association with contemporary music – and yet there are few more versatile conductors. In a world dominated by clear-cut profiles, Howarth, 61, has done all the wrong things: he spent his early career as a trumpeter, he remains devoted to the brass band world, and his interest in modern music has left him branded a specialist. But he knows his Beethoven and Brahms as well as anyone – he was a leading light of the Royal Philharmonic Orchestra – and he remains a great admirer of Richard Strauss.

Howarth has little time for the gloss of contemporary life. If he had wanted a bigger career, he could have spent more time on 19th-century repertoire, "and there are more than enough conductors doing that already". This kind of attitude has ruled him out for permanent conducting posts, though he has enjoyed a long and fruitful partnership with Opera North.

Howarth seems at ease with his position: "I've been able to conduct the biggest and best pieces of our time. What interests me is music *now*, and what I do best is what intrigues me and gives me most pleasure. People used to say that no one gave me a chance to do 'proper' music, and I suppose I could have taken that as an insult. But it's rather quaint that they should think of music like that. I'm fascinated by the contemporary mind – just as, if I'd lived in Beethoven's time, I would have been overwhelmed by the modernity of his ideas."

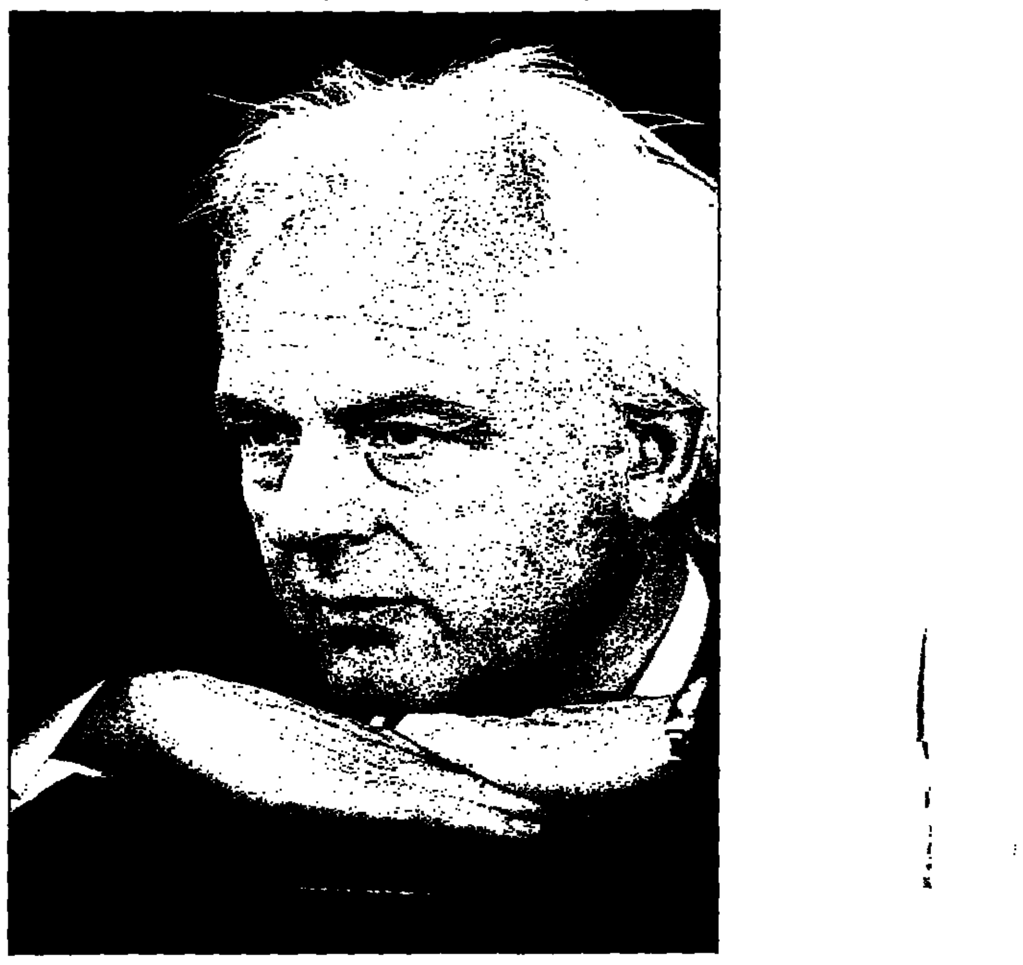
The idea of music as entertainment still appeals and his own compositions for brass band speak for themselves, "but music has so much more to offer . . I find it a pity that most people today don't seem to want that stimulus. They see music as a cushion, they only want to hear things they're familiar with. That's why I'm such an admirer of Simon Rattle – he has won the trust of his audience, so that they come to things they would not otherwise choose to hear. But it's difficult to convince orchestra managements. They think they can do their bit for the 20th century by programming Minimalist music. I find most Minimalist scores completely pathetic."

Working with Ligeti and Birtwistle boosted Howarth's self-confidence – not just because of the prestige involved, but because they allowed him to change details if he felt the music would be more effective. "Ligeti's music looks so meticulous, and he likes it to be rehearsed very carefully, but when it comes to the show, he wants you to throw caution to the wind. And in rehearsals Birtwistle has often changed his mind about tempo. It makes me wonder about all that business of being faithful to the score. It was a necessary correction to what Toscanini and others did, and I've been through my time of being faithful to every *ritenuto*. But I'm much freer now, and I feel the better for it."

Howarth's main influence was Rudolf Kempe, under whose spell he fell in the late 1950s while playing in the Orchestra of the Royal Opera House. When Howarth's conducting career took off in the early 1970s, it was Kempe's technique that he copied. "In terms of taste we were opposites, but I'm one of hundreds in London who worked with him and worshipped him – the experience of playing for him was so intense. Like several others of the German school, he had an incredibly clear right hand. The left hand was independent, doing all the nuances, showing the shape of the music."

Like Kempe, Howarth lacks the flashy appeal of better-known contemporaries, but he knows how to communicate with fellow musicians. He says a sound technique is essential for the repertoire he conducts, "but it's not enough just to beat clearly. You have to be musically convincing, and you can't do that until you've studied seriously. That's why I always set aside learning time.

"When it comes to rehearsal, I don't do much of what I call conducting – it's more a question of keeping things simple, having the patience to let the musicians learn it for themselves. Only when it comes to performance do you really have to be a conductor, because that's when the musicians need absolute commitment – they won't thank you for being easy. That's when you find out if you can really make something happen."



Laurie Lewis

Elgar Howarth: 'I've been able to conduct the biggest and best pieces of our time'

Cyrano with a Scottish accent: Fiona Bell and Tom Mannion in Communicado Theatre's new production Alastair Muir

Theatre/Alastair Macaulay

A play to cry for

Communicado Theatre, one of Britain's most enterprising theatre companies, has now brought to London its very charming account of *Cyrano de Bergerac*. Edmond Rostand's 1897 *Cyrano* is one of the most sure-fire of all plays. Whatever the production, it is always funny, always stirring, and I always cry in the last act.

This staging, directed by Gerry Mulgrew and first presented in 1992, is no exception. But foremost among its especial charms is its Scots-dialect modern translation by Edwin Morgan. "I canna cut a flash like Valentino"; "Who'd not prefair to work with his ain love?"; "Nae mair licht", quoth this Cyrano. And Christian tells him "I'm that thick I could kill mysel' o' shame." The Scots becomes a sort of equivalent to the Gascon accents spoken by most of Rostand's characters. True, sassenachs, or second-generation Southerners like myself, have to chase to keep up with the lingo; but the ease with which that lingo pours forth has a particular veracity.

This translation has rhymes. (In Scots, of course, "die" rhymes with "see"). And (unlike most rhyming translations nowadays) it also has poetry. To test the truth of this, you have to hear in full Cyrano's speech in which he compares Roxane to Venus and Diana – "She sedans it queenlier in Paris streets . . ." – to feel the integrity and fragrance and vitality of this version.

But the translation would not succeed in performance were it not dashingly delivered by all 11 actors. The Communicado performers are an amazing bunch: they play instruments, they sing, most of them play several roles, some of them cover both genders, and all of them are vivid and committed physical performers. Ragueneau is played by a woman, his wife by a man, and the result has real wit.

In the title role, Tom Mannion carries the evening. He has the energy, the charm, the lyricism, the bravado for the role. His only fault is that his physical energy is so free that in the final scene we do not quite feel that death's hand is on him; his firm gait and the light turn of his head are not those of a man struggling to postpone his departure from this world. And yet I cried; and more so because he never milked the sentimentality of the role. The beauty of this Cyrano is in his impulsiveness. Watching him beneath Roxane's balcony getting high on his own current of words, unable to keep still as he releases this ingenious stream of sincere ardour, is exciting and immensely affecting.

Like the translation, the designs of this production mix their periods. Roxane (the elegant Fiona Bell) and her maid are in tapered trouser suits; some characters look Edwardian; the Gascons wear a blend of modern fighting kit and Louis XIII attire. The effect is fresh, unpretentious. There is a great deal of excellent mock-French music by Ian Johnstone, although at several points it is too intrusive. The Act One duel and other episodes are literally orchestrated, and we cannot hear the words: which, in the case of Cyrano's swashbuckling ballade, is a major loss. Nonetheless, this is, from first to last, a most winning *Cyrano*.

Almeida Theatre, N1, to November 23.

Opera

A wicked romp

One really successful student can give a school a big boost. The international baritone Bryn Terfel was the subject of a major television profile recently, going back to visit his teacher at the Guildhall School of Music and Drama in London and no doubt lifting morale among the hopeful young singers there now.

This week it is their turn to show their paces. The autumn-term opera production opened on Tuesday and a good number of the students will have had a chance to perform among the many varied roles of Cavalli's *La Calisto*. There is nothing in this opera to tax young voices unduly; almost all the singers made a good impression in the modest vocal parts it offers.

In the early music revival *La Calisto* was one of the first operas to find its way back on to the stage – initially in Raymond Leppard's luxuriant orchestration for Glyndebourne, though now even students perform it properly with a small ensemble of "authentic" instruments. Nicholas Kok, who has been taking charge of ENO's early operas, conducted fluently for the Guildhall singers.

The opera is a wicked romp which rampages through issues as sensitive as sexual ambiguity, cross-dressing, rape, infidelity and sadism with a breezy sense of humour that seems quite shocking in 1996, let alone 1651. The Guildhall's production team – Thomas de Mallet Burgess (producer) and Jamie Vartan (designer) – gave it a late 20th-century twist by turning Ovid's ravaged countryside into a striking post-war desert roamed by punks and earth spirits.

Out of the parched ground stuck sundry androgynous body parts, like relics of Roman mythology buried in Cavalli's contemporary opera of sex and morals. Liubov Chuchrova's roguish Satyr emerged from a hole in the ground, as did Ivan Ludlow's Silvano and Christopher Saunders's Pan, a lively trio from physical theatre, Opera Factory-style, who were sent to taunt William Purefoy's lyric Endimion and Martin Fischer's old spinster Linfea.

There were some good vocal performances. Magdalena Bränland sang Diana with a pure tone and style, but not merely "early music" in quality. Marie Birve sang an attractive Calisto; Panito Iconomou, a promising bass, and the sturdy-voiced Konrad Jarnot played well off each other as Jove and Mercury, the punks from Olympus. Emer McGilloway made every scornful word of Juno tell, but so did most of the students. Any budding Bryn Terfels should have enjoyed the show enormously.

Richard Fairman

Theatre

Things to do today

Kylie Minogue was recently described as having undergone an image transformation "from rabbit-in-crinoline to deconstructed funk elf". Victoria Worsley, astonishingly, manages both within a two-hour show, and several more besides.

At various points in *Grace* she is a bride who has miraculously regained her virginity, a magician's assistant complete with spangly leotard, and a suburban Cleopatra for whom upheavals among the rulers of the known world are significant only because they play havoc with the seating arrangements for her wedding to Mark Antony. Somewhere along the line she also manages to impersonate a roller-skating tampon-commercial girl.

To describe these changes of guise as phases in one woman's quest, on the eve of her 30th birthday, to mould an identity for herself is – like author Sarah Woods' programme notes – true but unhelpful. These are not so much complete personae as items on Grace's lengthy Things To Do Today list, which (when recited at the opening) ranges from "have a cup of tea" via "back-up computer disks" to "have children". As she frets indecisively, trying on characters much as she does clothes from her "smart" wardrobe, imaginary men emerge literally from the woodwork of Steve Dennis and Nigel Prabhavalkar's ingenious set.

Richard Clothier and Lloyd Notice do sterling service as Mr Darcy, a jargon-jibbering bandyman, a hip-thrusting soul crooner and a host of others, also appearing periodically in hairy satyr-pants to reinforce their mythical natures. Worsley herself is a complex delight. Her performance inhabits the same arena as the solo work of Emily Woof, but where Woof primarily draws admiration for her mental and physical discipline, Worsley's portrayal of variegated thoughts and emotions has a warmer, more organic core.

In this she is aided by Woods' script, which embraces occasional clichés, both celebrating and suffering their truth: Clothier's magician walks off halfway through the sawing-Grace-in-half routine, leaving Worsley to lament, "You bastard! You've left me in pieces!"

Grace is a hugely knowing piece in terms of the status, roles, ambitions and dreams of a contemporary Everywoman, but it is also feeling. Director Theresa Heskins never allows the sadness of an episode to overpower the humour for which it is mined, but maintains a strong and consistent undertow of "you've got to laugh or you'd cry". The play grows diffuse as the phantom men begin to interact independently of Grace, but by this stage the dramatic seduction is complete.

Ian Shuttleworth

At the Old Red Lion, London EC1, until November 23 (0171 837 7816).

INTERNATIONAL ARTS GUIDE

ATHENS

CONCERT
Athens Concert Hall Tel: 30-1-7282333
● Soloists of Patras and the Berliner Instrumentalisten: with conductor Nikos Tsouchlos perform works by Koukos and Theodorakis; 8.30pm; Nov 18, 19

BERLIN

OPERA
Deutsche Oper Berlin Tel: 49-30-3438401
● Beatrice di Tenda: by Bellini. Conducted by Marcello Viotti, performed by the Deutsche Oper Berlin; 7pm; Nov 19
Staatsoper Unter den Linden Tel: 49-30-20354438
● Das Rheingold: by Wagner. Conducted by Daniel Barenboim and performed by the Staatsoper Unter den Linden; 7pm; Nov 16

BRUSSELS

EXHIBITION
Palais des Beaux-Arts Tel: 32-2-5078466
● Karl Blossfeldt: exhibition of works by the German photographer Karl Blossfeldt (1865-1932), who is specially known for his detailed black-and-white photographs of flowers and plants; to Jan 5

COLOGNE

EXHIBITION
Römisch-Germanisches Museum Tel: 49-221-2214438
● Lewis W. Hine - Die Kamera als Zeuge: exhibition of photographs by the American sociologist Lewis Wickes Hine (1874-1940). Among the works on display are his photographs of American immigrants on Ellis Island, child-labour, and the construction of the Empire State Building; to Nov 24

DRESDEN

DANCE
Sächsische Staatsoper Dresden Tel: 49-351-49110
● Ballett Dresden: perform Stephan Thoss' Altera Pars to music by Glass, Glen Tetley's Voluntaries to music by Poulenc, Mats Ek's Gras to music by Rachmaninov and Vladimir Vassiliev's Paganini after Leonid Lavrovski to music by Rachmaninov; 7pm; Nov 16

FRANKFURT AM MAIN

CONCERT
Alte Oper Tel: 49-69-1340400
● National Philharmonic of Warsaw: with conductor Kazimierz Kord and soprano Margaret Price perform works by Brahms, Wagner and Prokofiev; 8pm; Nov 16

HAMBURG

CONCERT
Hamburgische Staatsoper Tel: 49-40-351721
● Olga Romanko: performance by the vocalist, accompanied by pianist Anna Margulis. The programme includes works by Glinka, Tchaikovsky and Rachmaninov; 8pm; Nov 18

EXHIBITION
Museum für Kunst und Gewerbe Tel: 49-40-24862732
● Lissabon - Hamburg. Fayenceimport für den Norden: exhibition featuring faience utensils that were produced in Lissabon workshops in the period 1620-1680 and were exported to Hamburg; to Nov 17

LAUSANNE

POP-MUSIC
Théâtre de Beaulieu Tel: 41-21-6432211
● Jackson Browne: performance by the American folk-rock singer/guitarist; 8.30pm; Nov 19

LOS ANGELES

OPERA
Dorothy Chandler Pavillion Tel: 1-213-972-8001
● Tosca: by Puccini. Conducted by Andrew Litton, performed by the Los Angeles Opera. Soloists include Carol Vaness, Richard Leech, Justino Diaz and Michael Gallup; 7.30pm; Nov 17

MADRID

EXHIBITION
Museo Arquelógico Nacional Tel: 34-1-5777912
● Vida Cotidiana en Tiempos de Goya: this exhibition, commemorating the 250th anniversary of Goya's birth, aims to draw a picture of Spanish life in Goya's time by showing objects crafted by peasant farmers, housewives, craftsmen and artists. The exhibition is divided into two sections, life in the royal court and rural life, since Goya was witness to both. Over 300 objects are shown, including clothing of both of these social spheres, furniture and domestic utensils, farming equipment, kitchen utensils and table ware, decorative objects and tools employed in the practice of certain crafts; to Jan 5

NEW YORK

CONCERT
Alice Tully Hall Tel: 1-212-875-5050
● Chamber Music Society of Lincoln Center: with conductor David Shifrin perform works by Loeffler, Brahms and Dohnányi; 5pm; Nov 17, 19 (7.30pm)
Carnegie Hall Tel: 1-212-247-7800
● Chamber Orchestra of Europe: with conductor Nikolaus Harnoncourt perform Beethoven's Symphony No.8 in F Major, Op.93 and Symphony No.6 in F Major, Op.68 (Pastorale); 2pm; Nov 17

EXHIBITION
Guggenheim Museum SoHo Tel: 1-212-423-3840
● 1996: The Hugo Boss Prize: exhibition featuring works by the six artists who have been nominated by the jury of the Hugo Boss Prize, an award in recognition of a body of recent work representing a major aesthetic achievement or a significant development in contemporary art. The six nominees are Laurie Anderson, Janine Antoni, Matthew Barney, Cai Guo Qiang, Stan Douglas, and Yasumasa Morimura; from Nov 19 to Jan 19

OPERA
Metropolitan Opera House Tel: 1-212-362-6000
● L'Elisir d'Amore: by Donizetti. Conducted by Carlo Rizzi, performed by the Metropolitan Opera. Soloists include Bonney, Keenlyside and Plishka; 8pm; Nov 18

THEATRE
Walter Kerr Theater Tel: 1-212-239-6200
● Present Laughter: by Langella. Directed by Scott Elliot. The cast includes Frank Langella, David Cale, Lisa Emery, Tim Hopper and Allison Janney; Tue - Sat 8pm, Sun 3pm, Wed, Sat also 2pm; from Nov 18 (Not Mon)

PARIS

OPERA
L'Opéra de Paris Bastille Tel: 33-1 44 73 13 99
● I Capuleti e i Montecchi: by Bellini. Conducted by Evelino Pidò, performed by the Orchestre et Choeur de l'Opéra de Paris. Soloists include Andrea Silvestrelli, Laura Claycomb and Vesselina Kasarova; 7.30pm; Nov 16, 19
Théâtre de l' Opéra Comique Tel: 33-1 42 44 45 46
● Amadigi di Gaula: by Handel. Conducted by Paul Goodwin, performed by the Opera Theatre Company and the Academy of Ancient Music; 8pm; Nov 18

ROME

CONCERT
Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064
● Orchestra dell'Academia di Santa Cecilia: with conductor Carlo Maria Giulini and pianist Krystian Zimerman perform works by Brahms; 5.30pm; Nov 17, 18 (9pm), 19 (7.30pm)

STUTTGART

OPERA
Staatstheater Stuttgart Tel: 49-711-20320
● Der Rosenkavalier: by R. Strauss. Conducted by Michael Boder, performed by the Staatstheater Stuttgart. Soloists include Cheryl Studer, Irmgard Stadler and Helmut Berger-Tuna; 6pm; Nov 17

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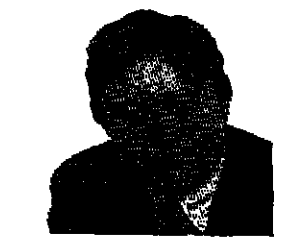

Philip Stephens

Surfeit of mush

Labour's Tony Blair does not need new policies before the election. He needs to clarify the ones he has

It is received wisdom in British politics that John Major is more impressive close up. On the podium, the prime minister fumbles and bumbles. One-to-one, he is engaging and amusing, if quicker-tempered than many imagine. By contrast, Labour's Tony Blair is an accomplished speaker. No great orator, but a politician at ease with the autocue and the television lights.

So far, so uncontroversial. But it is only half the story. An appreciable gap has opened up between the public and the private Mr Blair. Listen to his speeches and form starts to nudge out substance, rhetorical flourishes to subsume policy points. Somehow he can sound at once impressive and mushy. Then talk to him close up and the sharpness returns.

You cannot blame Mr Blair. For more than two years he has been redrawing the boundaries of British politics. He has a singular grasp of political strategy. Incumbency, though, gives the Conservatives an inbuilt advantage. The voters know the government from its actions. The opposition's only weapon is language. Mr Blair cannot offer proof of how he would govern. He can only say it. And to say too much is to offer unnecessary hostages to fortune.

His party's image-makers are wedded to the vision thing. President Bill Clinton promises a bridge to the 21st century, so Mr Blair must offer an age of achievement. I hated the glib phrases in his annual party conference speech. Mr Blair's aides assured me they made for perfect television. Maybe. But the election is at most six months off. He needs now to aim for more than 20 seconds on the *Nine O'Clock News*.

Labour's most precious commodity before the election will be clarity. Without clarity Mr Blair cannot win trust. And without trust, he might yet lose. I have no idea whether the now ubiquitous focus groups of wavering voters say that the Labour leader is shifty. Nor do I think it matters whether women find him sexy. What does count is the uncertainty about what he would actually do in Downing Street.

The private Mr Blair will give you a straight answer. He understands he cannot make everything a priority. He has a handful of objectives. He wants to prove, as Mr Clinton has done, that a left-of-centre government can run a prosperous, low inflation economy. He is scathing about the government's record of macro-economic management, respectful of its micro reforms. He intends to bury once and for all Labour's *reputation as anti-business*. His social policy would concentrate on education and on starting to change Britain's welfare culture. Constitutional reform at home would be coupled with rebuilding relationships in Europe.

So Labour does not need an avalanche of new policies. It does need clarity in its existing plans. During the next six months they will be subject to powerful scrutiny. As things stand, there are too many unanswered questions, too many instances where the glossy covers of policy documents barely conceal a distinctly soft centre.

> There are too many instances where the glossy covers of the Labour party's policy documents barely conceal a distinctly soft centre

Take one example, health. Labour says it will retain the split between purchasers and providers of services in the NHS but it will abolish the internal market. It fails to explain how resources would then be allocated. Some insiders say Mr Blair's real intention is to reform rather than scrap the system. They note his oft-repeated pledge is to get rid of the *Tory* internal market. A *Labour* version of the same market would presumably be fine. If that is the case Mr Blair should say so.

Labour's proposals for constitutional reform yield other yawning gaps. By promising a referendum before the creation of a Scottish parliament, Mr Blair has closed down one line of attack on his plans for devolution. He has yet to confront a question asked by almost as many Labour as Tory MPs in England. What price will Scotland pay for greater independence within the Union? Similar doubts shroud the party's promised referendum on changes to the voting system for the House of Commons and its plans to overhaul the House of Lords.

On Europe, Mr Blair wants to stick with his present hand. He remains doubtful that Britain could join a single currency in 1999 and certain that it could not be part of the first wave without a referendum. But as long as the Conservatives are fighting among themselves he can get away with the present ambiguity. He also thinks that after the election he would be able to cut a deal in the European Union's intergovernmental conference which he could not offer before polling day.

The big election issue, though, is the economy and tax. Gordon Brown, the shadow chancellor, has already been sharper than most. *Labour's broad economic framework is in place. In coming months he will add more detail.*

Labour's inflation target will be *at least* as tough as the government's goal of a rate of 2.5 per cent or less. Mr Brown will put a figure on it before the election. The shadow cabinet has also been told that the public spending ceiling set by Kenneth Clarke in this month's Budget will be carried over by a Labour administration.

On tax we will hear little more until the New Year. Mr Brown wants first to examine Mr Clarke's Budget arithmetic. And he will take his time before producing a response. But Labour cannot avoid clarity on the specifics of income tax rates. So come *January or February*, he will promise to leave the main ones unchanged. The present earnings ceiling on National Insurance contributions will also stay in place.

As to the top rate, though, neither Mr Blair nor Mr Brown have yet made up their minds. Raising it from 40 per cent to 50 per cent for those earning more than £100,000 a year would yield an extra £1bn. Economic logic argues for the shadow chancellor to leave himself that option. The public finances are not exactly in great shape. The wealthy would barely notice. And £1bn of extra revenue would make a useful start to financing Mr Brown's promised 10p starting rate of tax.

Politics, though, points in another direction. A decision to stick with the present top rate would infuriate the Old Labour left. So much to the good. That would reinforce the message to the wider electorate. I can think of no clearer symbol of the change Mr Blair has wrought on his party. And from now until polling day it is clarity that counts.

LETTERS TO THE EDITOR

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Free trade critical to ensuring security of world food supply

From Sir Michael Franklin.

Sir, Your leader on the current Food and Agriculture Organisation summit meeting ("World hunger", November 14) is right to stress the role of freer agricultural trade in meeting the growing world need for food. This is not a popular message in all quarters, where self-sufficiency is regarded as the only answer.

But as we say in our evidence to the Rome meeting: "An open and free world trade system is a critical component in providing adequate food security around the world. It allows countries in one region to offset supply shortfalls with plentiful supplies from other regions. It lowers total food costs to consumers, and allocates production to where it can be done most efficiently, and in an environmentally sound manner." The economic gains would be more than sufficient to compensate developing importing countries for any rise in world food prices.

We agree with you that hunger and malnutrition are primarily associated with poverty. Nevertheless, the requirements for increased food production are formidable and will not be achieved without the application of science and technology. It is worrying that public expenditure on agricultural research is declining.

What is needed, above all in Africa, is an international effort, on the scale of the Green Revolution, in raising yields, developing technologies that work in the soil and the climatic conditions of Africa and in passing all this on to working farmers.

Sir Michael Franklin,
International Policy Council for Agriculture, Food and Trade,
1616 P Street, NW,
Washington, DC 20036,
US

Shareholder value – in the longer term

From Mr Alexander Zederbauer.

Sir, Your article "Backlash against the axe" (November 13) is partly based on a misunderstanding, namely that increasing short-term profits is equal to increasing shareholder value. This is not true. Cost-cutting that boosts profits in the short run, but ruins morale and therefore customer relations in the long run, is certainly not consistent with the principles of the shareholder value concept – as proven by many companies that had to re-hire people they had fired only a couple of months before.

Still, the only goal of a company can and must be to increase shareholder value. This does not imply that all the other goals, concerning employee and customer satisfaction or the environment, should be neglected. They become sub-goals, means to achieve the creation of shareholder value. What follows is the efficient use of capital. And this serves everybody, not only the shareholders – the economy is no zero-sum game.

The long-term view of profits that you mention at the end of the article is therefore not really surprising. It is just the realisation of what shareholder value is really about.

Alexander Zederbauer,
MBA student at the Leonard N. Stern School of Business at New York University,
101 West 55th Street, 5G
New York, NY 10019, US

Policy, not the detail

From Mr Padraig Flynn.

Sir, Allow me to correct a possible misunderstanding arising from your editorial on the ruling of the European Court of Justice about Working Time ("Make it work in Europe", November 13).

We can all agree that the operation of the single market does not require the harmonisation of the detail of social legislation. This has never been the Commission's objective. Most European legislation in this area simply lays down minimum standards, leaving a large degree of discretion to member states as regards detailed implementation.

More importantly, however, I see no evidence that the setting of European minimum standards is in any way incompatible with the idea that all member states need to undertake serious reforms of their labour markets in order to improve competitiveness and encourage job creation. Indeed, the Commission, and I personally, have taken the lead in promoting the need for such policy changes.

Padraig Flynn,
Member of the European Commission,
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1049 Brussels, Belgium

Limited responsibilities only for Oxford Business School

From Mr Wafic Saïd.

Sir, I would like to correct two points in Richard Wolffe's piece "Oxford to seek new business school site" (November 12). First, it is not true to say that I was an "agent" of British Aerospace in the Al-Yamamah deal. As I have said on countless occasions, this was a government-to-government contract and I am proud to have played albeit a small part in helping Britain to win.

Mr Wolffe's piece refers to me having a "controlling influence on the foundation which would manage the new building". It would be helpful to clarify this point which is, I think, misunderstood within Oxford. The foundation will have some rather limited responsibilities, such as overseeing the construction of the building and administering a small fund (a tiny fraction of the size of the Rhodes Trust) in support of the school's activities. It will have no say over the academic or administrative running of the school which will be the business of its committee answerable, like other faculties, to the usual university bodies.

While trustees appointed by me will be in a small majority, each has to be approved by the vice-chancellor, and they therefore must be presumed to be people of standing who have the interests of the university at heart. The trustees include people like Lord Alexander, Professor Bill Pounds and Sir Charles Powell.

The foundation has the right of approval over the appointment of the director, but cannot impose a candidate. No one can suppose that someone of the calibre of the newly-appointed director, Professor John Kay, would have accepted the appointment if there were any question of my being in a position to interfere in how he runs the school.

Wafic Saïd,
27 Avenue Princesse Grace,
MC-98000, Monaco

Europa · Dominique Moïsi

On two different cycles

Clinton's victory underlines the deep divisions between the US and Europe

President Bill Clinton's re-election has brought evident satisfaction in most European capitals – no doubt because of the comfort of seeing familiar and experienced faces in power.

But Mr Clinton's victory raises interesting questions for Europeans, because it confirms a divergence between the two partners in the transatlantic alliance.

Mr Clinton has been returned to the White House in spite of continuing doubts over the character of the presidential couple and the *risk that his second term* could be marred by the eruption of scandals. The American people have chosen continuity over change, demonstrating a reassuring centrism. They have expressed their satisfaction at the growth in the US economy and declared their faith in the future.

Among Europe's leaders, the only one who appears able to engender similar feelings in the electorate is Helmut Kohl, the German chancellor. His honeymoon with the German public may not last for ever.

Rarely in recent history have Europe and the US been at such different stages in the political cycle – of hope and trust for America, *self-doubt and pessimism for* Europe.

What a contrast with the situation less than 10 years ago. Then the US was dominated by popular debate over its decline, symbolised by the success of *The Rise and Fall of the Great Powers* by Paul Kennedy, the Yale historian. The Berlin Wall still divided Europe, and the west of the continent was preparing for the next stage of its development towards union under the energetic and resolute guidance of Jacques Delors, president of the European Commission.

The growing divorce now between the self-images of *Americans and Europeans* is seen by some observers as evidence of a deep and durable decline in Europe's global role. Others believe it is a temporary and superficial phenomenon that will pass when Europe regains its *confidence, will-power* and sense of direction.

As for the US, it may be more vulnerable to economic, political or social shocks than it now seems. The US may be up now, and Europe down – but history is full of ironies and unpredicted upturns or downturns.

However, the *current* psychological imbalance between Europe and the US is bad news for the transatlantic relationship. At a recent conference at the Ditchley Park conference centre in Oxfordshire, a former US diplomat described jokingly his ideal vision of "a strong Europe that would follow America's lead".

Unfortunately the reverse *is equally likely*: a weak Europe that would express its frustration by a policy of quarrelsome difference, in which Europeans would find it easier to criticise America than to build an agreement among themselves.

In the present context, the most severe obstacle to the future of a healthy transatlantic relationship may not be the neo-isolationist tendencies of the US – as Europeans often suggest. It is much more the inward-looking tendencies of the Europeans, their obsession with the challenges of integration and of introducing the single currency.

Such behaviour would encourage the already too visible US tendency towards taking unilateral action in world affairs – as seen in its reinforcement of sanctions against Cuba. Why would or should Washington take seri*ously a Europe which har*bours such doubts about itself?

Such an imbalanced relationship could also encourage an atmosphere of suspicion. Europeans are already unhappy with what they sometimes perceive as Washington's support for enlarging the European Union to the detriment of deepening it through further integration. They worry that the US is offering EU membership as a consolation prize to those former communist countries of eastern and central Europe that will be refused membership of Nato.

Europe believes this would mean it got the worst of both worlds: Moscow would be unhappy that any of its for*mer satellites had* been admitted to Nato; but the cost of enlargement would fall on the EU which would have to integrate countries *such as the Baltic republics* which are not yet ready to survive in a market economy.

On the US side, by con*trast*, the highly visible activism of French diplomacy from the Middle East to Africa is a constant source of irritation. (This sentiment is sometimes shared in other important European countries: the unilateralism of France in European matters is similar to the unilateralism of the US in world affairs.)

This combination of imbalances and suspicions would ultimately matter little if the mission of the alliance was clear and evident on both sides of the Atlantic. But the strategic agenda has lost its *clarity and* urgency with the disappearance of the Soviet threat. The growth of globalisation means the importance of economic ties is diminishing – even though trade between Europe and the US is growing con*stantly*. And *culturally*, US interest in Europe is decreasing, judging by the decline of interest in European languages among young Americans.

The questions are the same on both sides of the Atlantic: what *is the role of* the state in society? How can national identity be defined or redefined? How can social security systems be recreated or sustained to *protect* the weakest members of society? But the gap between the US and Europe could continue to grow.

Nonetheless, there is good news for Europe in events across the Atlantic: the US has demonstrated a renewed dynamism, inventiveness and creativity in a society which never gives in to negativism, despair and resignation. For a Europe sunk in gloom, this may be the most important element of transatlantic relations today.

The author is deputy director of the Paris-based Institut Français des Relations Internationales and editor of Politique Etrangère. He writes here in a personal capacity

Divergent transatlantic partners: President Clinton (left) with Jacques Santer

FINANCIAL TIMES

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Friday November 15 1996

Aid in our time

Western nations led by Canada are now moving towards a desperate attempt to ride shotgun on the aid wagons for Zaire.

When 1m exiles are facing starvation, it is difficult to resist pleas that something must be done. However, the armed intervention which western powers are now considering looks perilous and ill considered. At best, it might buy time. The longer term consequences of sending troops could be as bad as those which it is intended to avert.

The precedents from other western efforts to help the victims of internal conflict, particularly in Somalia, show the danger of an indecisive deployment of weapons. A multilateral force not allowed to shoot first is in a weak position against determined terrorists, who see the dispensation of food aid as a factor in their struggle.

This difficulty is especially acute in east Zaire. Camps of Hutu refugees, who fled from Rwanda in 1994, include a formidable number of armed insurgents. These were some of the people who massacred perhaps half a million members of the Tutsi tribe in Rwanda, before they were forced to flee.

They have also prevented refugees from their own tribe from returning to Rwanda, in some cases by murdering them, and they have kept up an armed struggle against the Rwandan government by raids across the border.

International aid at the rate of about $1m per day, sent for urgent humanitarian reasons, has effectively been subsidising this armed struggle, and the UN camps have been used as military bases.

Now civil war in Zaire and the invasion of Tutsi troops from Rwanda has isolated the camps from aid. Not surprisingly Tutsi forces are resisting the dispensation of succour to their enemies and former oppressors.

In such circumstances the options for an international force are depressingly constrained. Even the opening of an aid corridor through hostile territory would be fraught with difficulty. It would require a substantial and well armed force and, more important, a willingness to fight.

Moreover, in the present confused situation of a civil war, western forces would be under strong pressure, moral and otherwise, to give food only to genuine refugees and to eject the fighters from the camps.

This would be extremely difficult even with 20,000 troops under a UN mandate. Other objectives, such as restoring Zaire's border with Rwanda, ejecting Tutsi invaders, repatriating genuine refugees to their own country, or even a removal of the camps from the border area, are quite beyond the capability of the force now being mooted. Yet the plight of the refugees cannot any longer be considered in isolation from such measures.

For these reasons a UN force is likely either to be ineffectual or to forfeit its neutrality. If it does become embroiled, it would need to be more powerful and determined to stay much longer than is now envisaged.

However compelling the moral case for armed intervention in Zaire may seem, a weak and hesitant beginning could prove disastrous. If the west lacks stomach for a sustained commitment, it would be better not to go at all.

No lame ducks

The problem of state aid in the EU is proving remarkably hard to uproot. Collectively, it is absurd for member states to compete with each other in propping up their lame-duck industries. But the number of cases of state aid – if not the absolute expenditure – is rising sharply. Yesterday, Mr Karel Van Miert, the EU's competition commissioner, convened a meeting of industry ministers to discuss stemming the tide.

In a macroeconomic sense, the sums are big enough to matter. In 1992, member states spent Ecu36bn (£28bn) on direct aid to the manufacturing sector alone. On top of that must be added a rising amount of indirect subvention, such as state guarantees for soft bank loans.

Given the fiscal crisis gripping much of Europe, this spending might seem paradoxical. But there are two powerful forces the other way: unemployment and deregulation.

The level of EU unemployment obviously gives governments a political incentive to keep lame ducks in business. It can have an economic aspect as well. Propping a company up may sometimes cost no more than paying dole money to its workers.

Meanwhile, deregulation and privatisation put constant pressure on old-style corporations to close plants and shed labour. This is at least as much an issue in services as in manufacturing. There are plenty of jobs still to go in European telecoms, banking and airlines.

Not all EU members are equally addicted to aid. The UK had enough of lame ducks in the 1970s. Italy had its fill of building industrial empires in the Mezzogiorno. Today's principal culprit is Germany, partly as a result of unification. Of the Ecu36bn in manufacturing aid in 1992, over a third was spent by Germany alone.

As the number of cases of aid rises, Mr Van Miert is apparently short of resources to handle them. One suggestion is that only the biggest cases should be dealt with. This is a bad idea. It leaves smaller companies and sectors open to abuse, and it is an open invitation to governments to evade scrutiny by breaking their subsidies up into smaller parcels.

The alternative is unpalatable but obvious. State aid is a serious threat to Europe's economic efficiency. If Mr Van Miert needs more resources, he should have them: and if that adds to Brussels bureaucracy, hard luck.

UK inflation

Oops! Yet another official UK goal is in danger. The news that retail price inflation, less mortgage interest, was 3.3 per cent in the year to October suggests it is quite likely to exceed the target of 2½ per cent, or less, by the end of this parliament.

Mr Kenneth Clarke explained the jump in underlying inflation by referring – quite correctly – to the large fall in retail prices that had occurred a year previously. Because the October figure was distorted, the generally expected near-term decline in inflation should occur, even if it does not fall below 2½ per cent. The reduction will be assisted by the 9.5 per cent appreciation of sterling's effective exchange rate since August.

The chancellor also insisted that "policy is set to meet our inflation target. That is why we are sustaining our best performance on inflation in 50 years." This is misleading. Policy has not been designed to make achievement of the target highly probable; and UK inflation performance is mediocre by global standards – second worst in the group of seven leading industrial countries and fifth worst in the European Union.

One reason for worry is the price that must be paid for poor credibility: the spread between yields on conventional and index-linked gilts, at over 4 percentage points, is still 1½ percentage points greater than the inflation target.

The immediate concern is that the economy is in a classic domestic demand-led expansion. In this context, sterling's appreciation is not, as many suppose, an alternative to tighter monetary policy, but rather a symptom of the market's awareness of the need for it.

Mr Eddie George, the governor of the Bank of England, pointed out earlier this week that "the stronger exchange rate does nothing directly to restrain the domestically-driven upswing in demand." Instead it contains the inflationary effects, in the short to medium term, by holding down the prices of tradeable goods and services. He also said that "we have been down this road before – in 1987 for example." How right he is!

What the economy needs now is, first and foremost, a tighter fiscal policy and, second, interest rates high enough to reduce present excessive rates of monetary growth. Critics will complain the recovery is being strangled. But this complaint is misdirected. The aim would, instead, be to ensure that the expansion goes on and on.

Drive for home market

Honda's recent success is the result of cost-cutting and innovative products for Japan, says Michiyo Nakamoto

Japan's car companies have emerged from one of the most difficult periods in their history, more efficient and competitive than ever. The country's leading carmakers have shown a formidable capacity to slash costs in the face of a sharply appreciated yen in order to maintain their position in global markets.

Toyota, the world's largest vehicle maker after General Motors of the US, has been particularly successful at cost-cutting. But Honda, Japan's third-largest carmaker, which is expected to announce a sharp increase in first-half consolidated profits today, has engineered a spectacular revival of its fortunes by combining cost reduction with even more spectacularly innovative products.

Unlike their western competitors, Japanese carmakers have had to restructure their businesses without resorting to wide-ranging redundancies at home – because big Japanese companies have a tradition of employing their workers for life.

For Honda this has meant, above all, boosting sales in its home market, traditionally its weakest patch because of its limited selection of models. This had deprived it of the solid customer base that lies at the heart of Toyota's success.

At the beginning of 1995, Mr Nobuhiko Kawamoto, president of Honda, set a demanding target: to increase domestic sales in the most crowded car market in the developed world, from 654,000 last year to 800,000 in the year to March 1999.

To achieve this, and pursue global expansion simultaneously, he knew from the moment he took the wheel six years ago that Honda would have to undergo radical change. His recipe of tighter cost controls and increased efficiency was controversial in a company traditionally dominated by entrepreneurial engineers-cum-designers in the mould of Mr Shoichiro Honda, the company's founder.

Today, Mr Kawamoto, a respected engineer himself, has reason to celebrate. Every new car Honda has launched over the past two years been a hit in Japan, helping the company to increase sales in the domestic market each month for nearly two years and report record group net profits in the first quarter of this year.

In October, three of Honda's products were among the 10 top-selling vehicles in Japan, according to the Japan Automobile Dealers Association. On Monday Honda will unveil its latest new car, the SM-X, a minivan – known as a multi-purpose vehicle in Europe – which is aimed at young couples.

Overseas, the company has enjoyed buoyant sales of the Civic and Accord models in the US. This has prompted Mr Christopher Redl, industry analyst at ING Barings in Tokyo, to forecast an increase of nearly 10 per cent in Honda's north American sales to 940,000 units in the year to next March. Honda also expects expanded production in the UK of the Civic and the Accord to increase its unit sales in Europe to 300,000 units in the year 2000.

In Japan, Honda cut costs by Y77.5bn (£420m) last year and Y68.5bn the year before, and its home market share has surged from 5.4 per cent in early 1994 to 14.4 per cent in September. Mr Noriyuki Matsushima, industry analyst at Nikko Research Centre, says: "No other company has increased its market share so much in such a short amount of time."

Mr Kawamoto's efficiency plan was aimed at all levels from research and development, manufacturing and marketing to management. The steps he took to introduce management disciplines unfamiliar in Japan – individual responsibilities to replace group consensus, individual performance assessments and stringent standards to control costs and substantially boost sales, earned the congenial president a reputation as a dictator in what had been a corporate democracy.

Like many successful international companies, Honda had begun to outgrow the free-spirited, entrepreneurial style that had been the source of many of its early engineering triumphs. The creative atmosphere at Honda may have allowed engineers to pursue their dreams but was in danger of bringing Honda precariously close to the brink, Mr Kawamoto argues.

"In an age in which major industrialised markets are not growing, and in which business is often at the mercy of forces beyond your control, such as politics and exchange rates, in order to survive you must improve efficiency," Mr Kawamoto says.

It was a radical break with Honda's 48-year-old culture. As a latecomer to the Japanese vehicle industry, Honda had to rely on its young engineers to design pioneering cars that could win customers over from larger, long-established companies that had marketing clout.

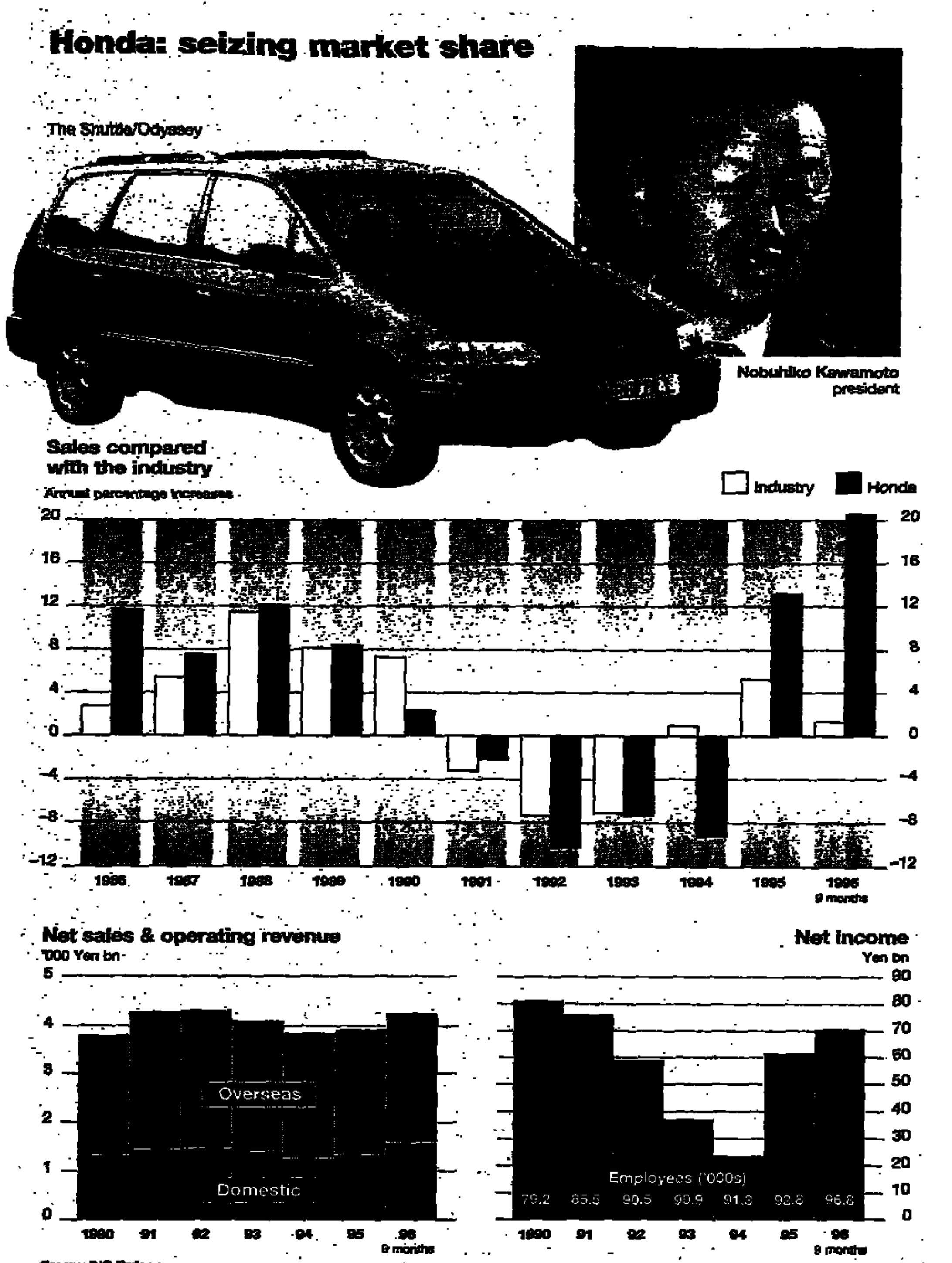
That corporate culture is visible in the company's famous executive office, where top managers always sat in an open-plan office, making for an open atmosphere that encourages spontaneous debate. "All you had to do was turn around and start a management conference," says Mr Kawamoto. Mr Takaki Nakanishi, industry analyst at Merrill Lynch, comments: "Honda's strength has been that it was a very young company where ideas floated around freely."

However, without the forceful leadership of its founder, this open, carefree atmosphere began to encourage indecision, a lack of controls and of strategic direction at Honda. "When I was in the R&D department during the 1980s, it was not clear who was making the decisions," Mr Kawamoto says.

Honda engineers were given considerable liberty, which resulted in increasingly expensive designs. Towards the end of Japan's economic bubble in the early 1990s, they had become used to designing everything new for a new model down to the screws, says Mr Tomoyuki Sugiyama, executive chief engineer.

As a result even the 1989 Accord, a US bestseller, did not make profits "because it cost Honda a lot of money in capital investment and R&D", Mr Sugiyama confesses. The amount of money wasted by poor planning was underlined by an incident several years ago when Honda had to transport engines by airfreight to the US to meet production schedules.

Big problems in Honda's Japanese marketing strategy needed to be addressed.



One of Honda's weaknesses in the Japanese market has been its limited sales network. As a latecomer, Honda has not been able to build up a network that can compete with those of Toyota or Nissan. Against Toyota's 5,617 sales outlets in Japan, Honda has just 2,308.

"Honda's strength was in getting people to come to their shops [by launching pioneering products]. That was extremely efficient and worked well in a growing market," says Mr Takeo Matsumoto, the director in charge of domestic marketing.

But in a slow market, or when the company does not have a hit product, sales fell back quickly. "Unlike Toyota, Honda does not have a core of loyal users so its domestic market share has been extremely volatile," says Mr Nakanishi of Merrill Lynch. In contrast, Toyota's success in the Japanese market owes much to its ability to get customers to trade in their Toyotas for another Toyota.

The efficiency drive launched by Mr Kawamoto attempts to address these problems systematically.

On the production side, priority has been given to raising cost competitiveness by revamping everything from design to parts procurement. Even as the 1989 model of Honda's Accord was selling very well, Mr Kawamoto wanted Honda to bring out a less expensive car.

Honda engineers cut the car's costs by 50 per cent, by using common parts with other models. As a result, "this is the first time Honda has been able to make substantial profits in Japan," says Mr Matsushima at Nikko Research.

The company has expanded its product range to include recreational vehicles such as minivans, and new, inexpensive, models for first-time buyers.

As for marketing, Honda is training its sales force to visit potential customers at home, a strategy Toyota has found successful.

Mr Kawamoto's campaign has not always been smooth. Some of the models Honda launched in the early years of his tenure were less than inspired. And Honda's attempt to make it big in the Japanese sedan market with the 1993 Accord failed dismally.

But the remarkable popularity of Honda's recreational vehicles – such as the Odyssey minivan, the CR-V sport utility vehicle and the Orthia station wagon – launched over the past two years – suggests that the company has struck a better balance between creativity and discipline than before.

By the second half of next year Honda will face greater competition as other Japanese carmakers launch products to rival Honda's winners. "All the car makers are studying the source of Honda's success very carefully," Mr Matsushima says.

The critical question is whether Honda can retain its enlarged Japanese customer base. It will be some time before Mr Kawamoto can rest assured that his reforms have rescued Honda. But the evidence so far proves that another Japanese car company has brought off that elusive combination of improving efficiency without stifling flair.

· OBSERVER ·

Apple's smorgasbaud

■ Today's special is the CD-Rom fruit cocktail. Mixing bytes with bites, Apple Computer is lending its name to new cafes being developed by Mega-Bytes International BVI, a London property investment company. As diners choose from a "health conscious" international cuisine, they will also be able (via Macintosh computers) to dip into the latest CD-Rom software, surf the Internet, or stage videoconferences.

As if this were not enough of a challenge to the digestive system, the restaurants are to be designed by Landmark Entertainment, a Hollywood entertainment firm that created the thrill rides "Jurassic Park" and "Terminator 2" for the Universal Studios theme park. The first Apple Cafe will open next year in Los Angeles, with others to follow in London and elsewhere. Let's hope this brand extension doesn't squeeze Apple's already squeaking pips.

Ritten off?

■ The build-up of heat against EU environment commissioner Ritt Bjerregaard is promising to increase global warming.

The Danish commissioner's famous forthrightness has now produced an ozone hole-sized rift with the European parliament's environment committee, after she told a Danish newspaper the committee was "untrustworthy".

The committee's furious chairman, Ken Collins, is publicly wondering if the spirit of co-operation the committee had tried to foster with her has expired, while Gijs de Vries, leader of the parliament's Liberal group, observes that Bjerregaard seems "to seek occasions to antagonise people rather than bring people together".

Green MEPs were not so circumspect. Calling her a lame duck who had lost the confidence of pro-environment MEPs and commissioners alike, they have issued a statement, which concludes: "Time to get rid of Ritt".

Backhand slash

■ Politics has a bitter taste for Romania's former tennis star Ilie Nastase. Only months after joining, he's just resigned from the ex-communist Party of Social Democracy, having failed to win a seat in parliament in last week's general election – even though he is a household name in sports-mad Romania. In June he was trounced in the race for the post of mayor of Bucharest. Nastase published a letter yesterday saying joining the party was a big mistake.

If only *all* politicians were so quick on the uptake.

Village voice

■ The village of El Borge, 20 miles off the beaten track from Malaga in Spain, is planning to put itself on the map of world history on Sunday, as the place where the end of Neoliberalism began.

El Borge's mayor, José Antonio Ponce, has posted an edict calling the village's 850 voters to a referendum. At ballot-boxes in the main square villagers will be able to place a cross next to the guiding principle of their choice. Other than Neoliberalism, the alternative on offer is Humanity.

"This is the first place in Europe and the world to hold a referendum of this kind," claims the mayor, who like the majority of the council is from the Communist-led United Left party. The initiative follows an "intergalactic meeting" for the pro-humanity, anti-neoliberal cause, staged by Zapatista rebels in Mexico's Chiapas region in August.

Should villagers be confused over the meaning of Neoliberalism, the referendum announcement tells them to vote against it anyway. "People will tell us we are just a tiny grain of sand," it says, "but do not believe it. Our gesture will be first in Europe and many will follow."

Watch out for a close result.

Five gold rings

■ New evidence of the troubling unreliability of US economic statistics reaches us from the Philadelphia-based PNC Bank.

According to some recent research by its economists, the cost of Christmas is rising at more than twice the official rate of inflation of 3 per cent.

The bank has calculated that the cost of sending the presents designated in the song The Twelve Days of Christmas has risen by six per cent this year.

If you were to send the total package, from a partridge in a pear tree right up to the twelve drummers drumming, based on prices in the US this winter, the total bill would amount $18,195.86. Following the lyrics precisely, and sending each day the cumulative tally – a total of 364 presents – would set you back $54,478.36.

Apparently the reason for the sharp increase this year is a rapid rise in labour costs for pipers piping, drummers drumming, ladies dancing and, above all, presumably, minimum-wage-paid maids-a-milking. The moral is – shop around for bargains.

The Financial Times 50 years ago

Whither The Franc?
Letter to the Editor: The private opinion of most politicians, fonctionnaires and businessmen is that a devaluation is inevitable. The general belief is that a devaluation of the order of about 100 per cent is likely by January or February, 1947, by which time the new Government should be firmly entrenched – or as firmly entrenched as any French Government has been in the last 20 years. Prices and wages have been continually rising since the liberation. In the last two months these rises have assumed such proportions – in the nature of 40 per cent – that unless the administration takes immediate and radical steps the whole economic equilibrium of the country is liable to be swept into a maelstrom of inflation . . .
A Friend of France.

Malaya Rubber Export Duty
Singapore, 14th Nov. While welcoming the reduction this week in the Malayan Union of rubber export duty from 4 cents a pound to 2½ cents, Chinese producers and dealers, through Mr. Lee Long Chian, chairman of the Singapore Chinese Chamber of Commerce, express the view that the burden of taxation being borne by the industry is "prohibitive".

FINANCIAL TIMES
Friday November 15 1996

Santer accuses UK of 'sweatshop' mentality

By Caroline Southey in Brussels

Mr Jacques Santer, president of the European Commission, yesterday launched his first open attack on a European Union member state. He accused Britain – though without naming the UK – of favouring a sweatshop economy and refusing to face up to its responsibilities over BSE, or mad cow disease.

Mr Santer hit out at advocates of a "return to the Dickensian sweatshops of the 19th century". He also implicitly attacked Britain for failing to act "with goodwill" over BSE by "gnawing at political point-scoring instead of admitting their basic responsibility".

A senior EU official said Mr Santer had been infuriated by Britain's attitude to a European Court of Justice ruling this week on a maximum 48-hour working week and "sickened" by some British press coverage of the judgment.

Relations between the UK and its EU partners were worse than between any set of western European countries in peacetime since the 1930s.

Britain has been in open conflict with its EU partners twice this year. In April the British government adopted a policy of non-cooperation in an effort to secure the lifting of an EU-imposed worldwide ban on British beef.

This week Mr John Major, the prime minister, set Britain on another collision course with the EU over employment and social law. Mr Major threatened to veto the conclusions of the inter-governmental conference on the future of the EU next year unless its partners agreed to treaty changes and a UK opt-out from the 48-hour working week directive.

He argued that the law would undermine British competitiveness.

Mr Santer, speaking to EU retailers and distributors at a Eurocommerce conference in Brussels, admitted there was a need for "more flexible labour markets" in the EU, including lower non-wage labour costs and welfare system reforms.

But, he argued, a 48-hour week was a "minimum standard which allows those who want to work more if they so wish".

On BSE, Mr Santer said the Commission was doing its "level best" to support farmers and remove the disease in an effort to restore confidence in "all EU beef markets". He pointed out that about Ecu5bn ($6.4bn) of EU funds would be needed over three years to bail out the beef sector.

"We know what's at stake. I regret that not all our member states have acted with the goodwill we have," he said, adding that "the Commission did not create BSE. Nor the BSE crisis". The attack is certain to infuriate the Eurosceptic wing of Britain's Conservative party and intensify divisions over Europe.

Ex-minister rages, Page 9

Italy's anti-graft leader quits as minister

By Robert Graham in Rome

Italy's six month-old centre-left government faced its first serious crisis yesterday when Mr Antonio Di Pietro, the former anti-corruption magistrate and the country's most popular public figure, resigned as public works minister.

This followed a day of speculation after reports that Mr Di Pietro was under investigation for unspecified reasons by the public prosecutor in the northern city of Brescia.

He announced his resignation in spite of messages of support from Mr Romano Prodi, prime minister, and other government colleagues.

The move comes at a delicate moment for the government with the 1997 budget before parliament. It is a serious blow to the authority of Mr Prodi, whose image has been dented by weak leadership and dissension within his centre-left Olive Tree alliance. Mr Prodi was instrumental in bringing Mr Di Pietro into the cabinet against the advice of several of his coalition partners.

In a brief and bitter letter of resignation to the prime minister, Mr Di Pietro said his gesture was final and begged not to be asked to reconsider.

"I have to pay for my sole error [of which I am proud] of having sought to get to the very heart of the matter [corruption]. At this point I can only say Basta! [enough]"

The immediate government reaction was one of dismay. Mr Prodi was due to make a statement to parliament late last night.

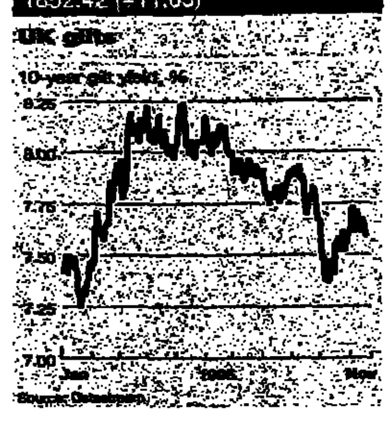
But there was satisfaction among members of the opposition Forza Italia, headed by Mr Silvio Berlusconi whom Mr Di Pietro helped incriminate for corruption. Forza Italia had been carrying out a rough campaign against the former magistrate in recent months.

Mr Di Pietro's name has cropped up in investigations conducted by La Spezia magistrates that led in September to the arrest of the head of Italy's railways and several other prominent figures. Two weeks ago he embarrassed the government, publicly accusing members of the Guardia di Finanza (financial police) of seeking to smear his reputation.

Mr Di Pietro resigned from the Milan magistracy in December 1994 amid suggestions he was being blackmailed by those he had crossed while unearthing a nationwide web of corruption at the highest levels. His investigations helped bring down the postwar political system.

THE LEX COLUMN

Penalising profligacy



The European Commission has precious little credibility policing the Treaty of Rome's state aid prohibitions. The Commission itself is only partly to blame; the real problem is that there are no penalties for breaking the treaty. So it is hardly surprising that most governments flout the rules with impunity. Look at France's multiple bail-outs of Crédit Lyonnais, Germany's subsidies to Volkswagen and Italy's aid to Iri. And that is without mentioning the buckets of subsidies being poured into Europe's airlines and the hidden aid that comes from governments guaranteeing companies' borrowings.

The Commission should really declare all these subsidies illegal. But since this leads to a drawn-out legal squabble with no effective sanctions, it normally ends up negotiating squalid compromises under which aid is trimmed back in exchange for Commission approval.

The Commission's latest proposals for making subsidies more transparent are reasonable so far as they go. But that is not very far. The only way of really stamping out the bad habit is to fine those who flout the rules. There is a precedent of sorts in the proposed stability pact for policing budget deficits after monetary union. And to make the fines really bite, it would be good to adopt the US system of triple damages. This would not necessarily stop governments funnelling another $1bn to their next basket cases. But the prospect of paying a $3bn penalty on top would make them think thrice.

Russian telecoms

The Russian government's need for cash appears to have far outstripped its desire for a dynamic telecommunications network. The obvious solution to its embarrassing failure to sell Svyazinvest as a competitor to Rostelecom was to address the absence of a regulatory framework which was the main barrier to a sale. Instead, it plans to convert Svyazinvest into a monopoly by merging it with Rostelecom. The appeal, presumably, is that investors prefer monopolies; moreover the merger sweeps regulatory concerns under the carpet. Once Svyazinvest's network of local operators are merged with Rostelecom's long-distance and international operations, details such as access charges become irrelevant.

In an ideal world, this merger might make sense. The government is creating a much more powerful monopoly with the wherewithal to fund the modernisation and expansion of Russia's telecoms system. If the merged companies invested substantially for several years before facing wholesale international competition, the Russian economy might benefit.

But Russia is no ideal, and the merger is more likely to provide a convenient excuse for maintaining an inefficient status quo. What the telecoms system badly needed was new capital to fund modernisation, and an inflow of skilled management to support the process. By contrast, a $1bn sale of shares in an enlarged Svyazinvest will bring in nothing more than a short-term fix for Russia's budgetary problems.

CIC

Pity France's finance ministry. With the decision to postpone the sale of the CIC banking group, its privatisation programme has hit yet another political pothole. At the root of the latest upset is CIC's inefficient structure; really a group of 11 highly autonomous regional banks, CIC's cost/income ratio is inevitably high. A buyer, left to its own devices, would want to change this high-cost framework – and therein lies the political problem. Spurred by loud opposition from CIC's top management, worries about job cuts have grown.

Yet the government had already pandered to this concern by imposing stiff constraints on bidders' freedom to make changes. As a result, it cannot have been surprised that there were only two bidders, and that their offers were not generous. In fact, at around FFr6bn ($1.9bn), both offers could have been worse. True, they represented a 40 per cent discount on book value. But given the restrictions bidders were supposed to accept, offers of 10.5 times this year's expected earnings were not laughably mean.

The government claims it will still sell CIC somehow, and so it should. But it should resist the temptation to solve the problem by preserving the company's structure in even stickier aspic. If it wants a better price – and with it some useful rationalisation of France's over-populated banking sector – it has to show more flexibility. And if this means the present top management has to be changed, so be it.

Gilts

Nowhere is the price of the UK's uneasy relations with the rest of the European Union more visible than in the bond market. For a brief period yesterday, UK gilts were the highest yielding government bonds in developed Europe, apart from Greece. There is no economic explanation for this; the reason lies rather with "convergence" euphoria that has swept aside consideration of fundamentals. But the sharp rally in gilts yesterday, despite the backdrop of gloomy inflation figures, suggests the penny may finally have dropped.

The market has become too bearish on gilts; neither the political nor the economic outlook justifies a real interest rate of around 5 per cent compared with 3-3½ per cent historically. Of course, there are concerns: interest rates look to be on a rising path, and the chancellor of the exchequer may play fast and loose with government finances in an effort to buy electoral success. But Mr Kenneth Clarke has shown himself a cannier chancellor than his critics would allow; and there is less reason than in the past to believe a Labour government would be a soft touch. The most likely scenario for the UK economy, whether under Tory or Labour stewardship, is for growth, inflation and budget deficits roughly in line with the average European Union country.

This is not the sort of stability – budget and election jitters notwithstanding – normally associated with high yielding markets. At current levels, gilts certainly look a better bet than Italian bonds.

Additional Lex comment on GUS, Page 22

Nato, EU

Continued from Page 1

1998. The Commission has set 2002 as the most likely date for the first wave of eastern Europeans joining the Union.

However, this date would come only after the EU's inter-governmental conference, after a long screening process of candidates, and after the planned launch of the single European currency in 1999.

Diplomats described last month's meeting as productive, but Britain and France have strong doubts about establishing the formal consultative mechanism favoured by some senior US diplomats.

The French insist they will rejoin Nato as a full partner only when a European officer takes over Nato's command in the Mediterranean.

GUS move

Continued from Page 1

areas to Experian but has more expertise in credit card processing. The Experian brand would eventually replace CCN.

Analysts broadly welcomed the move. "This is a good strategic move in a high growth market without overpaying," said Mr Richard Edwards at ABN Amro Hoare Govett.

Lord Wolfson said: "I can't think of many deals that would be more attractive unless someone wanted to sell Marks and Spencer for half its value."

He added that the group would launch a review of its other businesses, which include the Kays catalogue, financial services and the Scotch House retail chain.

Pakistan seeks IMF boost for foreign reserves

By Farhan Bokhari in Islamabad

Pakistan's new government is seeking to accelerate borrowing from the International Monetary Fund to help bolster foreign reserves, which – at $640m – are equivalent to just three weeks of imports.

Its made its request public yesterday as the IMF confirmed it had agreed to recommend to its board the reactivation of a stalled $600m standby loan. Its suspension last June caused a widespread loss of investor confidence, contributing to the downfall of Ms Benazir Bhutto as prime minister.

The IMF said it might consider giving Pakistan additional assistance, but did not say how much.

This positive statement, at the end of a visit by Mr Paul Chabrier of the IMF's Middle East department, triggered fresh optimism among commercial bankers, who said it would help expedite plans to raise new loans to Pakistan that would help tide it over December payments.

Once its IMF loan is reactivated, Pakistan could normally expect to borrow a $160m tranche immediately. One senior official said his country might seek $400m to $500m in all from the IMF. The need for finance is becoming acute as it faces debt repayments of $600m by December.

"We are pretty confident that we have indeed turned the corner with these discussions," Mr Javed Burki, the prime minister's adviser on finance, said at a news conference.

He also announced he would visit Washington next month to begin discussions towards a longer term, under the IMF's Extended Structural Adjustment Facility.

Mr Sajjad Razvi, country head of Citibank, said he was encouraged by the announcement. Citibank and the Dutch ABN Amro Bank are considering a one-year $225m loan backed by foreign currency earnings of Pakistan's telecommunications company.

Also encouraged was Mr Muneer Kamal, country head of the Bahrain-based Faysal Islamic bank, who added: "This announcement gives us more comfort. Foreign banks were looking towards the IMF deal." He said his bank would sign an agreement on Tuesday to lend Pakistan up to $100m.

Some analysts said, however, that Pakistan still faced heightened political risk in spite of the success of the IMF talks. Mr Meiraj Khalid, the caretaker prime minister, has begun to draw criticism for not giving a clear sense of direction on policy.

Mr Burki said President Farooq Leghari, who sacked the Bhutto administration, has given assurances he will take "personal responsibility" for economic reforms.

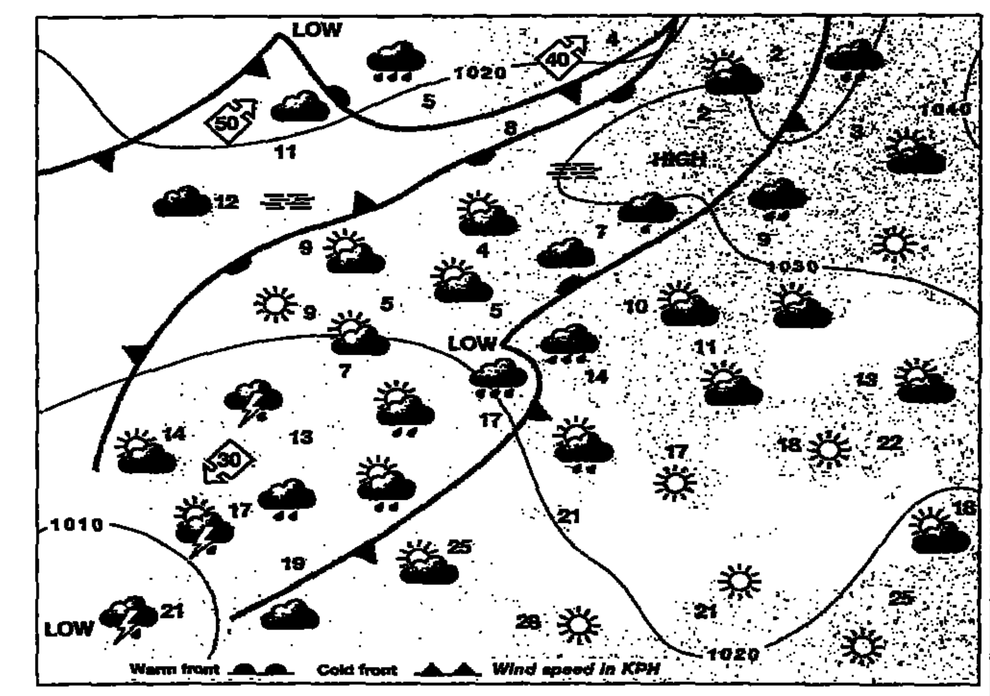
FT WEATHER GUIDE

Europe today

High pressure will promote calm but cloudy conditions over most of the UK. Central England will have patchy fog. Rain will start in the late afternoon in the north-west but the south-east will have some sun. Gentle to moderate easterly winds will bring cold air, with overnight frost, to Germany, France and the Benelux. Southern France and most of Spain will be unseasonably cool with cloud and showers in most areas. Portugal, southern Italy and the south-east will stay rather sunny. The southern Alps will be wet.

Five-day forecast

The UK will become cooler. Snow showers will develop in Scotland. The rest of the UK and the Benelux will have showers. Conditions will improve in Spain after Saturday but the north will stay wet. A low over Italy will cause a lot of rain over the Alps from Sunday.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius										
		Beijing	sun 7	Caracas	thund 30	Faro	shower 17	Madrid	rain 8	Rangoon	fair 32
		Belfast	drzzl 11	Cardiff	drzzl 10	Frankfurt	cloudy 6	Majorca	shower 18	Reykjavik	snow 0
Abu Dhabi	sun 28	Belgrade	cloudy 13	Casablanca	shower 19	Geneva	cloudy 9	Malta	fair 23	Rio	shower 28
Accra	sun 31	Berlin	cloudy 5	Chicago	cloudy 4	Gibraltar	shower 17	Manchester	cloudy 10	Rome	shower 20
Algiers	fair 24	Bermuda	shower 24	Cologne	fair 4	Glasgow	cloudy 12	Manila	shower 30	S. Frsco	fair 15
Amsterdam	sun 5	Bogota	thund 20	Dakar	sun 29	Hamburg	fair 4	Melbourne	fair 25	Seoul	fair 7
Athens	sun 19	Bombay	sun 32	Dallas	fair 22	Helsinki	drzzl 6	Mexico City	fair 20	Singapore	thund 30
Atlanta	sun 15	Brussels	sun 5	Delhi	sun 28	Hong Kong	sun 23	Miami	rain 25	Stockholm	cloudy 7
B. Aires	cloudy 30	Budapest	cloudy 13	Dubai	sun 30	Honolulu	fair 28	Milan	rain 12	Strasbourg	cloudy 7
B.ham	drzzl 8	C.hagen	fair 6	Dublin	cloudy 12	Istanbul	fair 16	Montreal	sun 0	Sydney	fair 28
Bangkok	fair 35	Cairo	fair 23	Dubrovnik	shower 18	Jakarta	fair 33	Moscow	fair 5	Tangier	thund 19
Barcelona	shower 14	Cape Town	fair 21	Edinburgh	fair 11	Jersey	fair 11	Munich	cloudy 3	Tel Aviv	cloudy 26
						Karachi	sun 31	Nairobi	shower 25	Tokyo	fair 15
						Kuwait	cloudy 27	Naples	shower 18	Toronto	fair 1
						L. Angeles	cloudy 17	Nassau	shower 26	Vancouver	rain 1
						Las Palmas	shower 23	New York	sun 6	Venice	rain 15
						Lima	cloudy 21	Nice	cloudy 16	Vienna	drzzl 13
						Lisbon	sun 16	Nicosia	sun 23	Warsaw	cloudy 7
						London	fair 9	Oslo	cloudy 5	Washington	sun 7
						Lux.bourg	fair 3	Paris	fair 5	Wellington	cloudy 17
						Lyon	cloudy 7	Perth	rain 21	Winnipeg	snow -3
						Madeira	shower 19	Prague	drzzl 6	Zurich	cloudy 6

FINANCIAL TIMES
COMPANIES & MARKETS
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Friday November 15 1996

IN BRIEF

MCI reshuffles top team for BT

MCI, the US telecommunications group, announced a reshuffle of its top management group to prepare it for the planned acquisition by British Telecommunications. The changes will involve Mr Bert Roberts, the company's chairman, giving up the chief executive position he has held since 1992.

MCI's reshuffle echoed comments already made by the company about how its management structure would change after its merger with BT, a process the two have said will take a year to complete. Page 22

Les Echos appoints new head
The board of Les Echos named Mr Olivier Fleurot to replace Mr Gilles Brochen who was dismissed as head of the French publishing group after what the latter called "a disagreement over management of the group". Page 18

Report says new Smart car is unstable
The Smart, the innovative two-seat car being developed by Mercedes-Benz and SMH, is unstable in extreme driving conditions, according to Auto Motor und Sport, the German motoring magazine. In its latest issue, the magazine says that, in testing, Smarts have toppled over in certain conditions. Page 18

Clean Nasdaq may brush off clients
This week's proposals to raise minimum listing requirements for the Nasdaq stock – its latest attempts to clean up an image tarnished by trading scandals and penny stock fraud – may undermine its role as a source of capital for young entrepreneurial companies. Page 21

British Biotech in $74m Japanese deal
British Biotech has signed a $74m agreement with Tanabe Seiyaku, a large Japanese drug company, to develop and market the anti-cancer drug marimastat in Japan. Page 22

Spending hits Thai telecom profits
Two of Thailand's leading mobile telecommunications companies reported sluggish third-quarter profit growth reflecting growing competition amid increasing capital spending. Page 20

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
BHF	38.5	+	1.1
Commerzbk	38.85	+	1.35
Deutsche Bk	72.2	+	1.55
Dresdner Bk	44.4	+	1.05
Falls			
PWA	215.2	–	1.8
Veba	86.4	–	2.15
NEW YORK ($)			
Rises			
ADV Micro	23⅝	+	2¼
Noble A	56¼	+	5¼
Wstn Digital	59	+	2½
Falls			
Diana	36⅛	–	1⅝
HFS	71⅛	–	1⅝
Tiffany	36⅝	–	1⅝
LONDON (Pence)			
Rises			
Action Cmptr	142½	+	10
Gt Universal	648	+	57½
Man United	530	+	24
Pelsn	441½	+	45
Falls			
Scapa Grp	240½	–	12½
Wyefield Grp	20	–	3½
TORONTO (C$)			
Rises			
Berkley Prtm	30.9	+	2.5
Mosaid Tech	18.0	+	1.0
Newbridge Net	43.85	+	1.8
Falls			
Alphanet Tele	16.75	–	1.25
Cognos	26.0	–	1.0
6 W Gold	20.0	–	0.9

PARIS (FFr)			
Rises			
UAP	136	+	18.1
Falls			
AGF	151.4	–	2.1
AXA	305.5	–	11.2
Labinal	921.0	–	9.0
Pechiney A	208.8	–	13.2
Promodes	1494	–	26.0
TOKYO (Yen)			
Rises			
Dai Nip Ink	485	+	18
NOK Corp	605	+	15
Nagase	960	+	18
Falls			
Green Cross	584	–	20
Nip Credit Bk	308	–	23
Ohbayashi	885	–	17
HONG KONG (HK$)			
Rises			
Dao Heng Bnk	35.5	+	1.2
Shanghai Ind	19.15	+	1.35
Sun Hung Kai	69.75	+	2.25
Falls			
Hendrsn China	20.3	–	0.75
Sth China Pst	6.95	–	0.45
Wing Hang Bnk	32.9	–	0.9
BANGKOK (Baht)			
Rises			
Foremost	106.0	+	7.0
Hua Thai Man	55.0	+	6.0
Kiang Huat	47.0	+	4.0
Falls			
Circuit Elec	22.5	–	2.25
Strongpack	44.25	–	4.25
Thai Glass	88.0	–	7.0

New York and Toronto prices at 12.30pm.

Acquisition could be critical to market position of Macintosh

Apple chief Gil Amelio: Be acquisition would be a bold move because until now Apple has developed its own software AP

Apple moves closer to acquiring Be

By Louise Kehoe in San Francisco

Apple Computer, the struggling personal computer manufacturer, is attempting to reach a final agreement to acquire Be, a Silicon Valley software venture that has developed a new operating system for PCs based on the PowerPC microprocessor used in Apple's Macintosh.

The acquisition, if it goes ahead, would be a bold move by Mr Gil Amelio, who took over as chairman and chief executive of Apple in February. Until now Apple has developed its own software. This has set it apart from other PC companies which have relied on Microsoft, the world's biggest software group, for operating system programmes.

Be was founded by Mr Jean Louis Gassée, formerly Apple research director, who left the company in 1990 after a difference of opinion with former Apple chairman Mr John Sculley. Yesterday, Mr Gassée said that, after five months, negotiations with Apple had "stalled over price". He was not optimistic about the outcome. However, others close to the two companies said the talks were continuing.

Apple declined to comment yesterday, but the price under discussion is believed to range between $75m and several hundred million dollars.

Last week the company said it was in the process of finalising its long-term operating system strategy and would make an announcement early next year.

The acquisition could prove critical to Apple's efforts to rejuvenate its Macintosh software to compete with PCs running Microsoft's Windows.

Over the last year, Apple's share of the PC market has declined sharply amid concerns about the company's future. Although sales picked up in the last quarter, Apple's future success depends on its ability to maintain a reputation for superior software, industry analysts said.

Apple's attempt to develop a new Macintosh operating system, codenamed Copeland, are at least a year behind schedule. Copeland was to have enabled Apple to leapfrog Microsoft with software designed to adapt automatically to a user's needs.

However, the prospects for this project are now uncertain. It is not even close to completion. Last week Apple said that instead of launching a new operating system it now planned incremental improvements to the current system, drawing on the Copeland project work.

Apple's financial problems over the past year have led to the resignation of several of its software developers, many of whom have joined competing companies, including Be.

The acquisition of Be could enable Apple to move more quickly to a new generation of Macintosh software. If a deal is reached, the Be software is expected to become the "kernel" of a new Apple operating system.

Be has already reached a "handshake agreement" to license its operating system software to Power Computing, a manufacturer of Macintosh "clones".

Military training jet makers in Italy set to merge

By John Simkins in Milan

Italy's two manufacturers of military training aircraft are expected to merge in a move aimed at creating a more effective competitor in the $1bn world market.

In a deal likely to be signed by the end of this month, the mainly privately owned Aermacchi, based near the north Italian town of Varese, will buy the smaller, lossmaking Siai Marchetti from the state-owned defence group, Finmeccanica, for a sum which has not been disclosed. Production will be concentrated at Aermacchi's plant and overlapping products will be rationalised.

The proposed deal follows the announcement this week that Aermacchi, which is 75 per cent owned by Mr Fabrizio Foresio and 25 per cent by Finmeccanica, was beaten by British Aerospace in a race for a £1bn ($1.65bn) contract with the Australian defence force. The Australian government chose the BAe Hawk as its new fighter training aircraft in preference to Aermacchi's MB339.

Mr Cesare Cozzi, Aermacchi's commercial director, said the loss of the order "would have an impact" but it was "absolutely untrue" that it threatened the company's future.

"We are looking at other markets and believe our product is a better trainer than the Hawk and that it is more cost-effective," he said. It was clear before competing for the Australian contract that Italy needed to have one single military training aircraft manufacturer to compete effectively, he added.

Italy has been alone among European countries in having two producers and the rationalisation plan has been under study for more than a year. Siai Marchetti, also based near Varese, made a net loss of L23.4bn ($15.48m) last year while Aermacchi made a net profit of L815m on turnover of L267.3bn.

But Aermacchi's sales have dropped from L318bn in 1993 and its then workforce of 1,750 has fallen to 1,400. Mr Cozzi said there would be no further dismissals and that 275 of Siai Marchetti's 400 employees would be taken on.

Domestic upturn aids strong rise at Sanyo and Casio

By Daniel Bögler in Tokyo

Sanyo and Casio, two of Japan's leading electrical goods companies, reported strong first-half results with continued export growth bolstered by a gradual recovery of consumer demand at home.

Sanyo saw healthy growth in CD-Rom drives and rechargeable batteries, which are used in mobile phones, as well as strong demand for solar panels and commercial food equipment.

Sanyo Electric, the nucleus of the group, had consolidated sales of Y883bn ($7.9bn) and profits before tax of Y19.5bn for the six months to September. Because it changed its year-end from November to March at the beginning of this accounting period, it gave no direct comparisons, but the results were about 5 per cent above analysts' forecasts.

Meanwhile, Casio Computer announced unconsolidated pre-tax profits for the half-year of Y4.2bn, a 33 per cent improvement, on turnover 5 per cent higher at Y167m. Sales of electronic calculators and personal organisers, its biggest division, dropped 7 per cent, but this was more than offset by a rise of nearly a third in digital watch sales. The data processing systems division, which includes digital cameras whose pictures can be fed directly into computers, also did well.

Both companies noted the need for continued efficiency improvements and product development given the slow recovery of the Japanese economy and the recent stabilisation of the yen, which could damp export growth in the second half. In the longer term, Mr Yasuaki Takano, Sanyo's president, predicted huge demand for colour televisions in China. Sanyo, which is one of the biggest international TV makers, produces 5.2m sets a year and hopes to double its production in China to 2m by 1998.

Sanyo predicts full-year turnover of Y1770bn and net income of Y16.5bn, against Y8.2bn in the first half. Casio expects a 30 per cent rise in pre-tax income to Y8bn on a 3 per cent sales rise to Y335bn.

● Olympus Optical, the maker of cameras and endoscopes, reported interim pre-tax profits up to Y2.2bn, from Y2.1bn, on sales 8 per cent higher at Y92.9bn, AFX-Asia writes. Firm domestic sales helped camera division revenues rise to Y22.3bn from Y22.1bn.

However, weak US demand for medical equipment saw sales of analyser apparatus drop 22 per cent to Y3.8bn. Revenues from other divisions rose 60 per cent to Y12.1bn. The interim dividend was unchanged at Y6.5.

Nokia profits show strong rise

Shares in Finnish group hit high for year after third quarter surge

By Hugh Carnegy in Stockholm

Shares in Nokia rose almost 10 per cent yesterday, to their highest point for the year, after the Finnish mobile phone group reported a 14 per cent rise in third-quarter profits.

The figures from Nokia, the world's biggest supplier of mobile handsets after Motorola of the US, helped lift shares in Swedish rival Ericsson, the biggest infrastructure maker, as they underlined a continued trend of strong worldwide demand for mobile equipment.

Nokia's third-quarter pre-tax earnings rose from FM963m ($210m) to FM1.1bn. The increase was driven by a 58 per cent rise in sales of mobile handsets and confirmed the group's promised recovery after a fall in profits over three successive quarters. Earnings per share in the third quarter rose from FM2.64 to FM2.74.

Nokia's A-shares, which have risen 25 per cent in the past month in anticipation of a turnround, jumped FM22.00 to close at FM250 in Helsinki. Ericsson's most-traded B-shares rose SKr12.50 to SKr205 in Stockholm.

"We are very pleased that what we set out to do in the early part of the year, when we had problems, has been achieved – and we have been able to do better than our expectations," said Mr Jorma Ollila, chief executive.

Nokia stumbled in late 1995 when it was hit by internal production problems, slow US demand and falling handset prices. This meant nine-month pre-tax profits fell from FM3.9bn to FM2.2bn.

Mr Ollila said production and inventory problems were resolved by the third quarter when demand was strong and the fall in prices for handsets was not as sharp as expected. He said Nokia's broad range of models gave added strength.

Jorma Ollila: production and inventory problems resolved

The mobile handset division, the group's biggest, reported a jump in sales in the third quarter from FM3.6bn to FM5.6bn. Although Nokia does not give divisional figures, Mr Ollila said the unit's profit margin was close to double figures.

Nokia has been helped by strong growth in mobile subscriptions worldwide, especially in Europe and Asia where annual growth is more than 50 per cent.

"They had an extremely strong wind at their backs as wireless subscriptions across the world have been much healthier than expected," said Mr Richard Kramer, analyst at Goldman Sachs in London.

Nokia reported a fall in operating margins at Nokia's infrastructure division between the second and third quarters, although these were not specified. The unit's sales rose 26 per cent from FM2.5bn in the third quarter last year to FM3.1bn – slightly below target. But Mr Ollila said the division's orders remained strong.

Total group third-quarter sales were up from FM8.3bn to FM9.8bn, lifting nine-month sales from FM25.8bn to FM26.6bn.

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Hypo-Bank to lift its stake in fund management group

By Andrew Fisher in Munich and William Lewis in London

Bayerische Hypotheken- und Wechsel-Bank, one of Germany's largest banks, is to increase its stake in Hypo Foreign & Colonial Management from 50 per cent to 65 per cent. HFCM is fund manager for the UK's Foreign & Colonial Investment Trust and other trusts and pension funds.

The five Foreign & Colonial Trusts – which own Pountney Hill Holdings, which in turn owns 50 per cent of HFCM – said Hypo-Bank had agreed to pay about £80m ($99m) for the increased stake.

Some F&C Trusts will retain a 35 per cent interest in HFCM and said yesterday they intended to maintain their management contracts with the F&C Management group.

HFCM doubled its assets under management this year with the acquisition of ESN, manager of about £15bn of electricity industry pension funds.

It was once usual for investment trusts to own their fund management companies, but many have moved away from this model. The F&C trusts took a step in this direction when they sold a 50 per cent stake to Hypo-Bank in 1989.

Hypo-Bank said the £60m payment for the extra 15 per cent stake was based on a valuation of F&C of £200m and a price-earnings ratio of 15.6 on its expected profits in 1996. The deal would enable the bank to consolidate F&C's profits in its group results. This would add up to DM170m (£68m) a year in pre-tax fee income, based on 1996 estimates, though costs would also increase.

Mr Eberhard Martini, Hypo-Bank chairman, said the bank did not intend to change F&C's structure. It would continue its strategy of expanding its asset management business into new markets through the link with the UK company.

Hypo-Bank year entered a partnership with Massachusetts Financial Services, the big US fund manager, to move into the US market and sell MFS products in Europe. F&C is closely involved in this.

Mr Martin Kölsch, a director of Hypo-Bank, said it had no immediate plans to raise its stake in F&C beyond 65 per cent. Nor did it intend to take a financial holding in MFS. But he said other asset management acquisitions were possible.

"Our intention is clear – we want to grow not just organically but also through acquisitions," he added.

Mr Kölsch said the bank's overall assets under management, including all of F&C's assets, totalled DM92bn and it intended to increase this considerably.

The international expansion of Hypo-Bank's asset management business would take place through F&C, he said. F&C is owned by five investment trusts, the largest being Foreign & Colonial Investment Trust with 30.5 per cent. Mr Kölsch said this holding would remain, with the German bank's additional holding coming from shares held by the other four.

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Old-fashioned values keep Moller at head of the line

Jess Soderberg, chief executive of Denmark's biggest private business, sees continuity of management as essential to success

Little has changed in the sixth-floor corner office at the modern, waterfront headquarters of the A.P. Moller/Maersk shipping, oil and gas, and industrial group, since Mr Jess Soderberg moved in three years ago.

At that time he became the chief executive of Denmark's biggest private business, the first chief executive from outside the founding Moller family.

The previous incumbent was Mr Maersk Mc-Kinney Moller, son of the founder, the late Arnold Peter Moller, who retired from daily control of the group on reaching the age of 80. He moved to a smaller office down the corridor.

Mr Soderberg's office is modest – shockingly so to at least one visiting US executive, who expected business success to be reflected in conspicuous opulence – but says something about the ethos of the group, which is one of the undisputed leaders in virtually every branch of world shipping (except passenger transport), and the biggest in the container-carrying liner trade.

"One thing which characterises the group is a belief in old-fashioned virtues," says Mr Soderberg. He lists hard work, reliability, quality, productivity and attention to customers' needs, each which is repeatedly hammered home in his stern epistles to employees in the company's house magazine.

Another essential factor in the group's success, he says, is continuity in management. In 92 years, the group has had only three chief executives, the two Mr Mollers and now Mr Soderberg, who has just turned 52. Nearly all the group's senior executives have served with Moller throughout their careers.

Continuity provides for a long-term view and a patient approach to return on capital investment, says Mr Soderberg, who does not believe it is helpful to managements if they have to take a short-term outlook imposed by market reaction to quarterly results and daily movements in share prices.

A.P. Moller, whose twin parent companies, D/S Svendborg and D/S 1912 (D/S stands for "dampskibsselskabet", or steamship company) are listed on the Copenhagen Stock Exchange, does not have this problem.

The group is controlled by two foundations set up by the family, an ownership structure which is shared by a number of the most successful large Danish companies (including Carlsberg, the brewer, and Novo Nordisk, the pharmaceuticals and enzymes group).

As neither parent company owns a majority in the main operating units, Tankers and Liners in Partnership and Oil and Gas in Partnership, the group publishes no consolidated group accounts.

To the mystification of many outsiders, the Moller parent companies even have an exemption from stock exchange rules, allowing the group to omit publication of half-yearly accounts; they issue an interim statement containing no figures.

Not surprisingly, A.P. Moller is notorious among analysts and journalists for being economical with financial information, a practice which Mr Soderberg robustly defends.

"We have nothing to hide, but we want to keep it hidden from our competitors," as he puts it.

The group's competitors in world shipping would dearly like to know what Maersk gets out of its various investments, and it is the competitors, with their detailed knowledge of the shipping industry, which would have the capacity to exploit detailed information provided on a quarterly basis.

"I don't think our shareholders would obtain much benefit from it."

Investors seem to agree. They are currently prepared to pay DKr212,400 per B share in D/S Svendborg and DKr147,000 in D/S 1912 (the shares have a face value of DKr1,000); both have advanced 39 per cent since the end of last year. That gives the shares a price/earnings ratio, on this year's projected earnings, of more than 36.

Moller can afford to take a cavalier attitude to what analysts and investors think. It has not raised new equity capital since 1967. The shipping partnership, in particular, is very strongly capitalised, with equity capital at the end of 1995 of DKr17.1bn and total assets of DKr30.3bn ($5.23bn).

The action this year has focused on Maersk Line's gigantic investment – between $4bn and $5bn – in the liner operations. It has ordered 12 new liners vessels (the first three of which have been delivered), each of which can carry more than 6,000 standard 20-foot containers – a capacity as yet unmatched by any other shipping group.

On top of that investment, there is the cost of more than 240,000 containers (many of them delivered by the group's Danish manufacturing company, Maersk Container Industri) and in onshore terminals and handling equipment.

The total sum invested dwarfs any investment ever made by a Danish business.

The vessels, powered by Danish-designed and Japanese-built MAN B&W diesel engines, are being built by the Moller group's own Odense Steel Shipyard, which enabled the group to keep the size and capacity of the vessels hidden from competitors until the first was delivered in January this year.

Industry speculation has it that the later vessels in the series will be able to carry as many as 8,000 containers, but Mr Soderberg demurs. So far, he says, they are designed to carry about 6,000 units.

He does not believe container carriers will grow much bigger than the new Maersk liners. The pressure on the onshore infrastructure is the limiting factor – not only on loading and unloading and terminal space, but also on road networks, which have to be able to cope with the fleets of trucks used to distribute the containers.

The name of the game for shipping companies is exploiting economies of scale. The capital investment required is enormous, which is why Mr Soderberg thinks that the big liner operators will get bigger, "and we shall be one of them".

Return on equity in the shipping partnership is not impressive, going from a recent high of 10.3 per cent in 1993 to 6.5 per cent in 1994 and 7.2 per cent in 1995. "We do not earn enough," Mr Soderberg admits.

Nevertheless, 1995 was a good year for the liner business, and this year's half-year interim report said the liner business would also do well in 1996. Turnover in the shipping partnership in 1995 was about DKr24.9bn, generating net profits of DKr1.16bn.

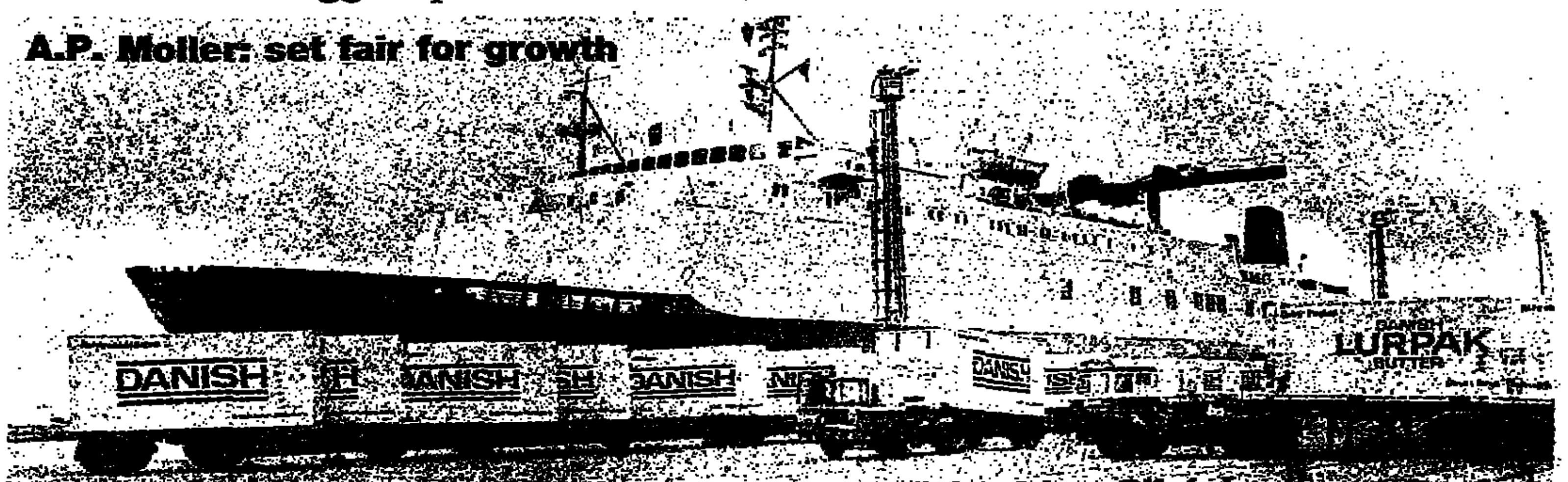
In the oil and gas partnership, which produces oil and gas from the Danish sector of the North Sea in co-operation with Shell and Texaco, turnover was DKr3.4bn and net profits DKr312m. The equity invested in the operations is DKr1.8bn.

Add to these the turnover in associated companies – including shipbuilding, *Maersk Air*, the airline, a number of manufacturing companies, and the 50 per cent Moller-owned Danish Supermarked stores group (which achieves turnover about DKr23bn, and is known in the UK and Germany for its Netto discount stores) – and gross group turnover last year was about DKr64bn.

The associated companies made combined net profits of about DKr1bn and their equity capital came to DKr7bn.

The next largest Danish industrial group by sales is MD Foods, the dairy group, with turnover of about DKr20bn.

Hilary Barnes



A.P. Moller: set fair for growth

World shipping lines

Container ships by capacity, Standard containers

	TEU	No of vessels
Evergreen	82,279	45
Maersk Line	66,700	36
Hyundai Merchant	38,657	[illegible]
Cosco	37,500	22
Sea-Land	27,228	14
OOCL	27,000	48
Hanjin	24,429	26
APL	19,200	24
Neptune Orient Lines	17,868	[illegible]
Zim Israel	17,500	22
Yangming	7,288	[illegible]
Mediterranean	7,000	8

Source: Handelsbanken

A.P. Moller Group: Profit breakdown DKr (m)

DKr (m)	1992	1993	1994	1995	1996*	1997*
Profit before financials shipping, incl Maersk	435	552	503	[illegible]	[illegible]	[illegible]
Oil & Gas	1,643	1,632	1,365	1,321	[illegible]	1,930
Dansk Supermarked	139	229	257	312	[illegible]	[illegible]
Other associates	191	231	429	529	681	774
A.P. Moller Group	2,408	2,645	2,653	2,981	[illegible]	[illegible]
Financial net	-153	-278	-160	-6	38	178
Other items	126	994	768	700	[illegible]	[illegible]
Profit before tax	2,381	3,361	3,261	3,674	4,475	6,415
Tax	-837	-983	-1,179	-1,143	[illegible]	[illegible]
Ord. result after tax	1,544	2,378	2,082	2,547	3,259	4,633

Source: Handelsbanken *Forecast

Growth slows at Hypo-Bank

By Andrew Fisher in Munich

Bayerische Hypotheken-und-Wechsel Bank said its business growth slowed after a strong start to the year, leaving operating profits for the first nine months only 10 per cent higher at DM808m ($536.23m). This compared with a rise of 22 per cent in the first half.

Other big German banks have also reported slower progress in the third quarter, but Hypo-Bank's figures for January-September show more modest growth than its main competitors.

The bank also announced plans to install branches in supermarkets so customers could combine grocery shopping with bank business. These would stay open in the evenings and on Saturdays, in line with the relaxation in shopping hours.

The move is part of the trend among German banks to attract new customers by improving service and operating more flexibly. Deutsche Bank recently began opening branches in supermarkets and other banks are also trying out new types of service.

These are aimed also at keeping costs low as banks strive to improve profitability. Hypo-Bank kept its overall cost growth down to 1 per cent, saying its cost/income ratio was the best among leading German banks at 58 per cent.

But its profits were hit by a 20 per cent rise in risk provisions to DM961m, partly reflecting its still-sombre view of the economy. Mr Eberhard Martini, chairman, said this steep increase overstated the loan risk trend since it also took account of the performance of the bank's securities portfolio held for liquidity purposes. Earnings on this portfolio were lower than in the year-ago period.

Warning that the economic revival was "extremely restrained", he said some sectors were still struggling to get past the low point in their business cycle. The bank expected insolvency in Germany to peak in mid-1997. "We see no reason yet to breathe more easily."

Mr Martini said net commission income had risen 8 per cent to DM662m in nine months. More than half of this came from securities business which grew 18 per cent to DM358m as equities and unit trust transactions doubled. Income from payments and foreign trade business declined.

The interest surplus was 8 per cent higher at DM3.35bn. As with commission profits, this compared with a growth rate of 14 per cent in the first quarter. However, Mr Martini expressed satisfaction with growth in mortgage business, a sector in which the bank is strong; this showed a 36 per cent rise to DM15bn in new loan approvals. Most of this came from the housing sector, though commercial property business also rose sharply.

IEC plans $400m bond issue

By Judy Dempsey in Jerusalem

Israel Electric Corporation, the state-owned electricity company, plans to issue up to $400m of international bonds in the coming months.

The bonds will be issued under the Securities and Exchange Commission's Rule 144A, which means they can be sold to qualified institutional buyers in the US as well as investors elsewhere. It is thought that the issue may be split into two tranches with different maturities.

The decision is a landmark since the majority of Israeli companies tend to concentrate on the US equity markets rather than the debt market.

"This is an important development for IEC," one analyst said. "It will enable it to access the capital markets in order to finance large investment projects," he added. Lehman Brothers will be acting as lead manager and Salomon Brothers will be co-manager.

IEC, Israel's main producer and supplier of electricity, has allocated Shk35bn ($10.81bn) for investment, spread over seven years from 1995.

Of this, more than one-quarter will be earmarked for upgrading its transmission network, 30 per cent for power generation and a similar amount for the distribution network.

The investment drive is partly in response to a continuing rise in energy consumption, which since 1985 has increased by an annual rate of 7 per cent.

IEC has financed previous investment projects through loans from international and domestic financial institutions, as well as from the issue of bonds in Israel and abroad. Earlier this year, an international banking syndicate, which included Israel's Union Bank and Sumitomo, the Japanese banking group, arranged a $100m syndicated loan for IEC.

But according to analysts, IEC's entry into the debt securities markets shows that the company is confident it will receive good ratings, given its healthy balance sheet. Last year, IEC had net profits of Shk272m on sales of Shk6.4bn.

More significant, in terms of its unchallenged position in the electricity market, the Knesset, the Israeli parliament, last March approved the extension of IEC's franchise for a further 10 years, preserving its monopoly in the supply and distribution of electricity.

The approval was pushed through following pressure from the trade unions, whose employees in the electricity sector enjoy wide privileges, and the then Labour government.

However, as Israel moves slowly towards deregulation, the Knesset is allowing private companies to produce electricity for their own needs with the opportunity for limited reselling.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 15.11.96 Pool purchase price £/MWh	Final Prices for Trading on 15.10.96 Pool purchase price £/MWh	Pool selling price £/MWh
0030	11.68	15.19	16.51
0100	13.84	11.65	11.65
0130	15.74	15.19	16.51
0200	15.74	15.19	16.51
0230	15.74	15.19	16.51
0300	13.84	15.19	16.51
0330	13.84	15.19	16.51
0400	11.69	15.19	16.51
0430	11.68	15.19	16.51
0500	11.68	15.19	16.51
0530	13.58	15.24	16.57
0600	13.58	11.64	11.64
0630	13.58	11.66	11.66
0700	16.81	17.29	18.72
0730	17.06	21.81	24.17
0800	17.18	28.99	32.96
0830	19.71	32.52	37.11
0900	23.74	33.47	38.32
0930	23.83	29.71	34.00
1000	23.87	28.51	32.48
1030	19.88	27.00	30.64
1100	23.78	26.39	29.90
1130	17.55	26.57	30.13
1200	17.54	33.82	37.35
1230	17.51	32.20	35.29
1300	17.48	22.72	25.24
1330	17.45	20.70	22.63
1400	17.44	19.45	21.08
1430	17.44	19.27	20.75
1500	17.35	12.13	12.13
1530	17.43	12.05	12.05
1600	17.45	12.07	12.07
1630	26.84	12.37	12.37
1700	54.11	19.80	21.46
1730	70.16	20.07	21.81
1800	64.56	21.10	23.19
1830	33.05	27.54	31.70
1900	28.52	64.44	69.78
1930	22.86	63.86	68.91
2000	19.10	57.19	60.54
2030	19.20	19.81	21.46
2100	18.99	18.74	20.13
2130	18.99	18.57	19.91
2200	19.99	18.55	19.88
2230	11.71	26.22	27.55
2300	11.68	18.55	19.88
2330	11.69	18.55	19.88
2400	11.68	11.65	12.98

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.85/MWh becomes 1.685p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction and sometimes major alterations until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6788 between 8:30am and 6:15pm Monday to Friday.

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Mediaset eyes Olivetti phone deal

By John Simkins in Milan

Mediaset, the quoted television company controlled by former premier Mr Silvio Berlusconi, yesterday confirmed it was interested in a bid for Olivetti without its PC business. The aim, according to Mr Ubaldo Livolsi, the Mediaset chief executive, is to use Olivetti's controlling stake in Omnitel, Italy's second mobile phone company to enter the telephone business.

Mediaset has linked with Albacom, the joint venture between BT and Banco Nazionale di Lavoro (BNL), to bid for the third mobile phone licence due to be issued next year. But yesterday Mr Livolsi said he was concerned by the rules for the licence and with Olivetti's stake on 51 per cent Omnitel offered an interesting alternative as long as the PCs were excluded.

Olivetti yesterday said it had received no formal approach. However, there have been rumours of Mediaset's interest which until this week have been denied by Mediaset. If a bid were made, analysts said yesterday that one way would be to first buy the 14 per cent Olivetti stake held by the De Benedetti family. Last week Mr Carlo De Benedetti, the former Olivetti chairman, indicated he was willing to sell this stake. Until now however, he has been a bitter foe of Mr Berlusconi.

Olivetti's share price yesterday rose strongly following a report the company had frozen talks with Klesch of the UK over the sale of its loss-making personal computer division. The report suggested it had ended talks with the UK-based company run by US debt trader Mr Gary Klesch in favour of a better offer.

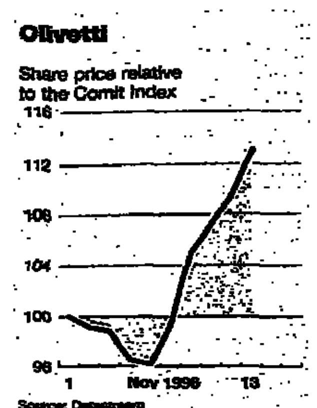
However, Olivetti denied making the comment, attributed to Mr Giorgio Garuzzo, vice-chairman, by the Il Sole-24 Ore newspaper, and said it would not comment on negotiations until a deal was struck. Mr Roberto Colaninno, who took over as chief executive of Olivetti two months ago with a mandate to reduce debts through asset disposals, has said a potential buyer of the PC division had been identified and the target was to reach agreement by the year-end.

It is understood that although talks have taken place with Klesch, which deals with defaulted corporate debt, the company was not considered to fit the profile of the buyer which Olivetti is seeking. Olivetti is keen to secure an assurance that the PC division would continue to be based at Scarmagno, near the Olivetti base at Ivrea, and wants to safeguard the subsidiary's 1,500 jobs.

Olivetti also believes it is essential that a buyer of the PC division should maintain links with Olivetti's services division which takes 50 per cent of the PC output.

The PC division made a net loss in the first half of L15.8bn ($10.4m), on PC sales of L1,000bn, following a 1995 loss of L200bn. The parent company last week made inroads into its attempt to realise asset sales of L1,200bn when it spun off an 8 per cent stake in Omnitel, the cellular telephone company, to Germany's Mannesmann for L422.5bn. The disposals follow the group's shake-up in the wake of the departure from the chairmanship of Mr Carlo De Benedetti.

Earlier this week Olivetti notified Consob, Italy's stock exchange regulatory body, that its net financial requirement was L3,016bn at the end of September, down from L3,059bn a month earlier. Yesterday in Milan Olivetti was the most traded share closing 4.58 per cent higher at L532. Omnitel Pronto Italia said last night Mr Colaninno had joined its board and would be named vice-chairman.



Source: Datastream

Deputy appointed as new head of Les Echos

By David Buchan in Paris

The board of Les Echos yesterday named Mr Olivier Fleurot to replace Mr Gilles Brochen, who was dismissed as head of the French publishing group after what the latter called "a disagreement over management of the group".

In a statement, Mr David Bell, a director of Les Echos and head of the information division of Pearson, the UK group which owns Les Echos as well as the Financial Times, said Mr Fleurot's appointment "reflects our will to ensure the continuity of the development and strategy of the [Les Echos] group". The 48-year-old Mr Fleurot had been Mr Brochen's deputy since 1990.

Mr Brochen issued his own statement to Les Echos' 550 staff, making clear that he had been dismissed and expressing his "profound sadness" at leaving after 10 years at Les Echos, six of which had been at its head.

Coming several months after the August closure of Les Echos' lossmaking personal finance venture, Argent Magazine, the timing of yesterday's move seemed to indicate that it stemmed more from a clash of personality than of strategy within senior management of the group.

In addition to being deputy head of the press group for the past six years, Mr Fleurot worked as a journalist for the Les Echos business daily in 1983-84 and ran the group's marketing between 1988-90.

Last year Les Echos made a net pre-tax profit, after financial charges and gains, of FFr76m ($14.8m) on sales of FFr620m.

After reportedly making a vain attempt to acquire a personal finance magazine in France, it launched Argent Magazine in January. But the monthly magazine never reached its circulation target of 200,000, settling instead at around 90,000, and it closed within six months.

The group, which last year expanded its medical publishing side through acquisitions, has also been hit by declining advertising from the health industry, due to the Juppé government's squeeze on social security spending.

But Mr Bell's statement appeared to presage no fundamental review of group strategy. He stressed the UK parent's desire to see the Les Echos group progress in France, with "its strong titles and recognised professionalism".

Mr Bell said that, as with other Pearson subsidiaries, Les Echos was managed autonomously and given editorial independence.

La Tribune, France's other main business daily, this week relaunched itself with a new format under a new editor, Mr Ivan Levaï, a well known radio journalist. The main feature of Tribune's new look is the printing of its financial pages on pink paper.

Sea Launch starts countdown for space odyssey

By Tim Burt in Stavanger

Sea Launch, the four-nation consortium behind the world's first offshore satellite launching project, yesterday announced the completion dates and delivery schedule for the £350m ($579m) system.

The consortium, formed last year, said it would launch its £70m command vessel next month, followed by the delivery next March of the £60m Odyssey, a former oil rig which has been converted into a floating launch pad.

Kvaerner, the Norwegian shipbuilding and engineering group, said work was nearing completion on the 34,000-tonne command vessel at its Govan yard at Glasgow, Scotland, and on the 31,000-tonne Odyssey at Rosenberg in Norway.

The company is the primary contractor and 20 per cent shareholder in the consortium, which is led by Boeing, the US aerospace group.

The other members are RSC-Energia, the Russian space company, and the Ukranian rocket manufacturer NPO-Yuzhnoye.

Under the scheme, the remainder of the project costs will be incurred at Boeing, which is providing the satellite technology, and at Energia and Yuzhnoye, which are contributing the space vehicles and propulsion units.

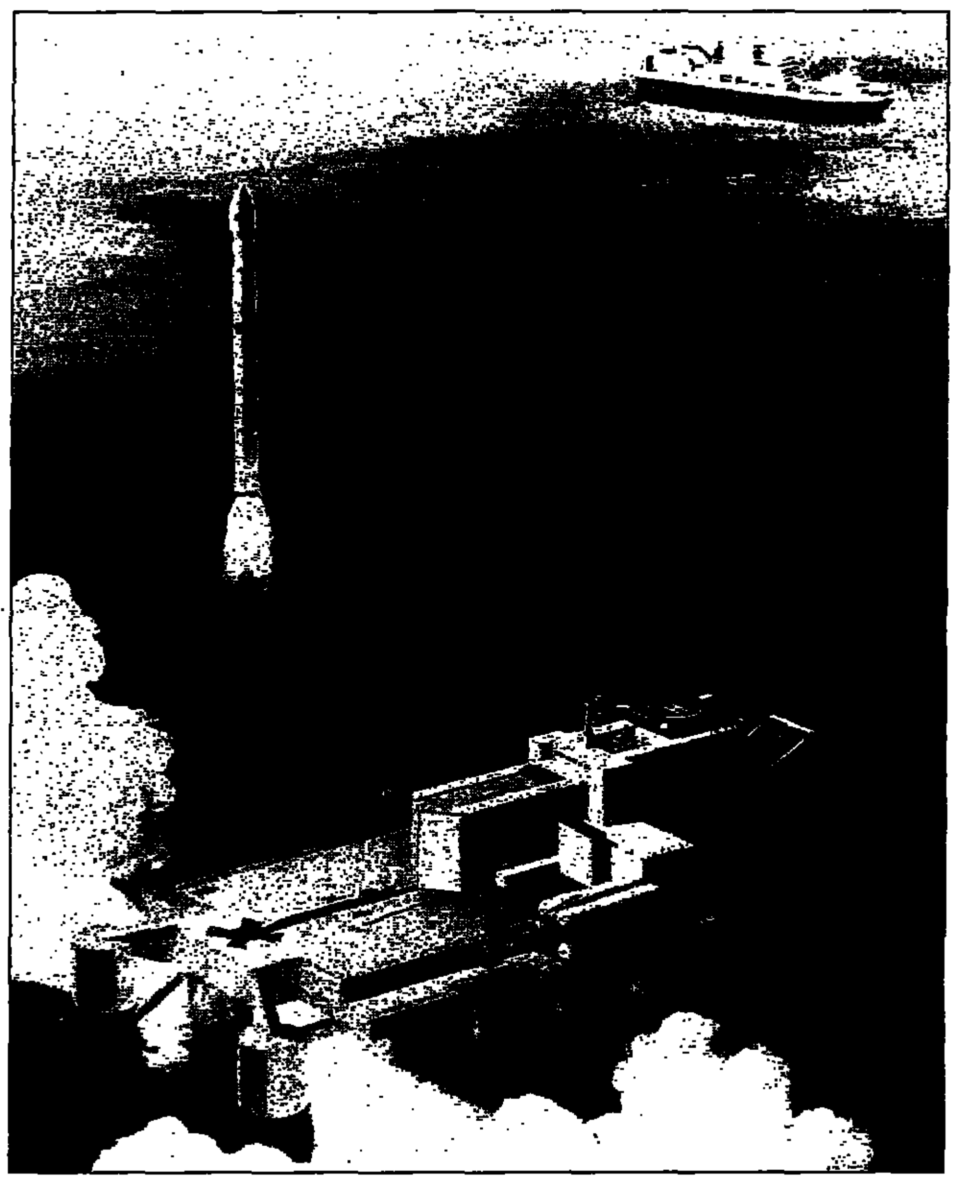
Sea Launch is expected to undercut rivals such as Ariane, the French-led space agency, and Nasa of the US. Officials yesterday predicted it could do so by reducing delivery costs from satellite manufacturers based on the west coast of the US.

The rig and command vessel will be based at Long Beach, California, close to some of North America's largest satellite customers. Satellites will be loaded on to the command vessel before being towed into the Pacific and transferred to the Odyssey for launching.

The consortium claimed the largely debt-financed project would begin to repay borrowings following the first rocket launch in June 1998.

Sea Launch has secured contracts and options for 15 launches, 10 from Hughes Space and Communications and five from Space System-Loral, both of the US.

Funding for the scheme has been provided mainly by Chase Manhattan.



Report says new Smart car is unstable

By Haig Simonian, Motor Industry Correspondent

The Smart, the innovative two-seat car being developed by Mercedes-Benz and SMH, is unstable in extreme driving conditions, according to Auto Motor und Sport, the German motoring magazine.

In its latest issue, the magazine claims that, in testing, Smarts have toppled over in certain conditions, such as violent steering manoeuvres. The magazine claims the tendency is exacerbated when the road surface is wet or changeable.

The report, leaked to the financial markets on Wednesday, triggered a SFr11 fall to SFr814 in the share price of SMH, which is best known for its "Swatch" wristwatch.

SMH's shares climbed SFr1 yesterday in a strong market.

Mr Oliver Peter, a spokesman for Micro Compact Car, the joint venture between Mercedes-Benz and SMH which is developing the Smart, denied there had been any stability problems. He said the incident photographed in the magazine was a "mis-use" test carried out as part of the Smart's normal safety testing programme.

Mr Peter denied reports that Bosch, the German electronics company, had experienced similar problems while developing the Smart's anti-lock braking system.

The latest report comes as a further blow to MCC, which is facing an uphill task in bringing the revolutionary Smart to market. Last month, the company rejected claims by MarketScope, a screen-based equity analysis service, that its forecasts of selling 200,000 Smarts a year in Europe were wildly optimistic.

According to MCC, the 200,000-unit target was entirely feasible. Its research showed sales of vehicles of comparable price and size to the Smart in its four main western European target markets would reach 2.7m units in 1988, when the Smart goes on sale. This made the target a realistic one, in the view of the company.

MarketScope claimed its information came partly from the components companies involved in the Smart project as risk-sharing partners. According to agreements with MCC, the companies will be rewarded partly on the basis of Smart sales. However, they are also believed to have indemnities should sales not reach pre-determined levels.

Analysts say the issue of sales, and now safety, is exceptionally sensitive within MCC, both for normal commercial reasons and because of special circumstances. Mr Nicolas Hayek, SMH chairman, has made the Smart into something of a personal crusade.

At Mercedes-Benz, the Smart project, which has required heavy investment, is believed to be one of the issues dividing management in the current tussle between Mr Helmut Werner, chairman, and Mr Jürgen Schrempp, chairman of the Daimler-Benz holding company.

Auto Motor und Sport says Mercedes-Benz engineers are now working on trying to correct the problems.

EUROPEAN NEWS DIGEST

Flughafen Wien to act against state

Flughafen Wien, the privatised, quoted company which operates Vienna International Airport, is to take the Austrian government to court over the costs of the country joining the Schengen agreement, where 10 European nations plan to abandon border controls between each other. The airport's shares – one of the better performers on the Vienna stock exchange – have had a rough ride in recent weeks after disappointing first-half results and a provision-laden second-half forecast because of unresolved negotiations with its airline customers over handling charges.

The airport is now in the throes of an urgent, unexpected Sch400m ($37.7m) building programme to cope with Schengen, which Austria plans to implement from July 1 next year. Mr Gerhard Kastelic, the company's joint president and chief executive, said there would be little or no return to shareholders' funds. EU help is not available to meet costs because Schengen is not being implemented by all EU members, most notably the UK, which has opted to keep passport checks to control immigration.

Although Schengen will make overland travel between countries easier and reduce costs and delays, European airports in Schengen countries will all suffer because of it. They will have to segregate passengers travelling between Schengen and non-Schengen countries inside the European Union, as well as those travelling to and from countries inside or outside the EU. To complicate matters further, some non-EU countries, such as Norway and Switzerland, are also keen to join Schengen. Their travellers will have to have non-EU but Schengen channels.

Of the airports involved, only those of Vienna and Copenhagen have been privatised. The others are publicly funded and have no shareholders to worry about.

Ian Hamilton Fazey, Vienna

Leica in black midway

Leica Camera, the recently-listed German camera and optical company, swung to a net profit of DM1.9m (£1.26m) in the first six months from a DM2.2m loss a year earlier, despite only a slight rise in sales. "Our share listing, the Photokina trade fair, and the introduction of two products meant the first half was an extremely turbulent period," said Mr Klaus-Dieter Hofmann, chairman. Turnover edged up 2 per cent to DM96.5m, supported by strong gains from the M and R series of cameras and lenses, the group's main products.

Restructuring costs at Minox, the lossmaking microcamera maker acquired earlier this year, led to a widening of the operating loss from DM320,000 to DM680,000. Excluding Minox, Leica posted an operating profit of DM1m. "Despite an unfavourable consumer spending climate in Germany and its neighbouring European markets, profits and sales are showing a positive trend," Mr Hofmann said. Turnover was expected to rise sharply in the second half, helped by gains in Asia and the US, where Leica is expanding. The group typically reports stronger second-half sales, following the Photokina trade fair in autumn and ahead of Christmas.

The luxury camera group came to the market in September with an issue of 3.1m new shares. Analysts said first-half results were slightly better than expected.

Sarah Althaus, Frankfurt

Bank of Cyprus shows growth

The Bank of Cyprus posted operating profits for the nine months ending September 30 of C£29.8m ($64.5m), registering a growth of 9 per cent, compared with C£27.3m in the corresponding period last year. BoC said the increase should be considered satisfactory taking into account the low growth (2.5 per cent) of the Cyprus economy during the current year.

It believed group profit for the whole of 1996 should continue to show "satisfactory growth". It said the group's expansion to Greece six years ago had been very successful, and eight branches were already in operation there.

Andreas Hadjipapas, Nicosia

■ Mr Domenico Cempella, managing director of Alitalia, the Italian airline, said the company would post a L1,200bn ($791m) loss in 1996, which would include L800bn of restructuring costs. In 1997 it would make a profit of about L170bn. *AFX News, Rome*

■ Saint-Gobain, the French glass group, said its sales in the nine months to September 30 rose 27.2 per cent from FFr51.797bn to FFr65.875bn ($12.9bn), mainly on the back of the consolidation of Poliet on July 1. On a comparable structure basis, sales rose 1.7 per cent in French francs and 1.9 per cent in local currency. *AFX News, Paris*

■ Glaverbel, Europe's third-largest glassmaker, said third-quarter sales fell 5 per cent from BFr9.3bn to BFr8.8bn ($283m). In the first nine months, sales fell 4 per cent from BFr28.5bn to BFr27.2bn, but were unchanged on a comparable structure basis. *AFX News, Brussels*

■ AGF, the French insurance group, said its sales in the third quarter rose 5.5 per cent to FFr51.4bn ($10.1bn), on a comparable structure basis. *AFX News, Paris*

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com.

ASIA-PACIFIC NEWS DIGEST

Toray advances 40% in first half

Toray Industries, Japan's leading producer of synthetic fibres, unveiled a 40 per cent rise in consolidated recurring profits – before tax and extraordinary items – to Y25.7bn ($230m) in the six months to September on a 10.3 per cent rise in turnover to Y501.2bn.

The group said it was building on last year's recovery from a three-year decline in sales and profits. The results show an increase in sales and profits growth on the year to March, when profits were up 35.3 per cent on a 4.5 per cent rise in turnover, and reflect gains from earlier plant modernisation.

Toray warned that Japanese consumer spending and corporate capital investment, the two main determinants of its market's health, were not strong enough by themselves to yield a recovery in business conditions. It believed, however, that the Japanese economy was "on the road to gradual recovery".

The company's main business, fibres and textiles, which represent 46 per cent of total group sales, recorded a 10 per cent rise in turnover. Sales of nylon yarn to the clothing industry were the same as last year, but sales of polyester filament increased, as did sales of material to the construction and car industries.

Plastics and chemicals, the second most important division, with 28 per cent of turnover, saw a 13 per cent rise in sales. Toray reported brisk demand for polyester film for industrial use and increased sales of magnetic tape for home-use videotapes. *William Dawkins, Tokyo*

Bangkok Bank ahead 9.9%

Bangkok Bank, Thailand's largest commercial bank, said third-quarter 1996 net profits rose 9.9 per cent, to Bt5.12bn ($201.3m). The bank said it was resisting Thailand's economic slowdown. Nine-month net profits increased 7.8 per cent over the same period last year to Bt15.45bn and analysts said profit growth for the full year should be about 6 per cent.

Bangkok Bank said it had reduced provisioning levels, after spending much of the past two years raising them to more than 500 per cent, and had also stopped writing off bad debt. Analysts said it was the only Thai commercial bank to be well provisioned against collateralised loans. Most other banks provide for bad loans only if the declared market value of collateral falls below the total amount of the loan.

Loan growth at Bangkok Bank remained sluggish, but margins held up, at about 4 per cent.

Ted Bardacke, Bangkok

Write-off hurts Minebea

Minebea, the world's leading producer of miniature ball bearings, reported a rise in taxable profits but, as expected, took a Y5bn ($44.8m) extraordinary loss on the liquidation of a credit finance subsidiary.

Non-consolidated recurring profits – before tax and extraordinary items – rose 27.4 per cent to Y8.9bn in the six months to September on a 19.5 per cent increase in sales to Y110.7bn.

Net profits fell 36 per cent after the Y5bn write-off to Y3.64bn. Minebea expects no further extraordinary losses in the current half, and on that basis forecasts a 12 per cent rise in net profits to Y11bn in the full year to next March, and a 5 per cent increase in recurring profits to Y18bn.

Sales have benefited from the rise in world demand for personal computers, which on average contain 10 sets of bearings each. But price competition in the market for electronic equipment containing bearings is fierce, Minebea said, so it has sought to improve its operating performance by cutting costs and stepping up production in south-east Asia. *William Dawkins*

Loss deepens at Sahaviriya

Sahaviriya Steel, Thailand's leading manufacturer of hot-rolled steel, said that losses in the third quarter of this year widened to Bt515.4m ($20.3m) from Bt182.9m in the same period last year. The third-quarter results bring nine-month losses for 1996 to Bt1.63bn, compared with Bt120.7m in the first three quarters of 1995.

Third-quarter results were mainly affected mainly by the steady prices of imported raw materials combined with falling prices for Sahaviriya's finished products. The figures led analysts to forecast that the company would continue to be loss-making in 1997 and 1998. ING Barings expects losses of Bt1.84bn in 1997 and Bt465m in 1998.

Sahaviriya has already experienced problems in starting up its one and only production plant, and continued in the third quarter to be affected by steel dumping. Anti-dumping tariffs have been imposed on some of the company's products and benefits will show up in the fourth quarter, although some customers rushed to buy cheap imports ahead of the anti-dumping move, analysts said.

Although working capital demands are falling, there is speculation that the company is trying to work out a debt restructuring plan with its main creditors, Bank of Ayudhya and Siam Commercial Bank, both of which are also shareholders. *Ted Bardacke*

Arnotts down in first quarter

Arnotts, the listed Australian biscuit and snack manufacturer in which Campbell Soup of the US holds a controlling interest, told shareholders its first-quarter earnings were slightly down on the corresponding period of last year. But Mr Duncan McDonald, chairman, said at Arnotts' annual meeting: "Notwithstanding these tough trading conditions . . . earnings for 1996–97 should be in line with last year." The company made an after-tax profit of A$60.9m (US$47.9m) in 1995-96. *Nikki Tait, Sydney*

Cash for Orlando Wyndham

France's Pernod-Ricard, the drinks group, has injected a further A$50m (US$39.4m) into Orlando Wyndham, the Australian wine company which it controls. The capital injection is designed to fund a five-year expansion and upgrading plan. More than A$13m will be spent on increasing grape supply from company-owned vineyards in both South Australia and New South Wales, while over A$10m will go on new crushing and storage facilities at the Montrose winery in NSW.

The French parent also announced that Mr Andre Boucard, currently chairman of the Renault-Bisquit cognac business, will next year take over as chief executive of Orlando Wyndham from Mr Jean-Louis Lepeltier. Orlando Wyndham is one of the four major wine producers in Australia. *Nikki Tait*

Amcor plans US$200m issue

Amcor, the Australian paper and packaging group, has announced plans to raise US$200m through an issue of subordinated, perpetual convertible notes. They will carry a 7.5 per cent coupon and be convertible at any time up to November 2006. Although they are perpetual notes, Amcor has the option to call them after November 2006. The issue, aimed chiefly at US investors, is said to be the first of its type by an Australian company in the US capital markets. *Nikki Tait*

Funds cut Sydney casino stake

Funds linked to Mr George Soros, the international investor, have cut their stake in the listed Sydney Harbour Casino group, which is building a large permanent casino, hotel and theatre complex in the city's centre. *Nikki Tait*

Excess supplies dent Indian steel shares

The challenge facing India's steelmakers is to produce better quality products at lower cost

Shares of Indian steelmakers are not finding favour with investors. Slackening demand for steel, price falls, growing competition from imports and sizeable inventories have dimmed the prospects for steel shares. The fall in value of shares from their 52-week peak varies from 38 to 65 per cent.

Excess supplies of flat products such as hot rolled coil (HRC) have dented the shares of Lloyds Steel and Essar Steel, which recently commissioned HRC plants.

The share price of Ispat Industries, which is commissioning the first phase of its 3m tonne capacity HRC plant at Dolvi in Maharashtra in August 1997, has fallen from a 52-week high of Rs30 to Rs17. Ispat Industries is one of the country's main producers of galvanised and cold rolled sheets and sponge iron.

Steel Authority of India Limited (Sail) and Tata Iron & Steel Company (Tisco), the country's two largest steel groups only have part of their capacity dedicated to HRC and cold rolled coils and are in a better position to face the surplus of flat products, but even their shares are languishing.

In an attempt to drive down inventories, producers are offering rebates and discounts on their listed prices. Tisco, which bucked the industry trend by raising net profit more than 25 per cent to Rs2.52bn ($70.5m) for the six months to September, has complained that prices for HRC have fallen up to 20 per cent from the listed price since the start of the financial year.

According to Mr M.R.R. Nair, chairman of Sail: "The industry recently commissioned an additional capacity of 3m tonnes of HRC. Another 2m tonnes of HRC capacity will be there in the near future. You don't expect demand to catch up with the extra supply of flat products so quickly."

Analysts blame weaker demand for steel from car and white goods makers. Steelmakers complain that the import of nearly 700,000 tonnes in the first half has driven them into a corner.

Lloyds Steel says increased competition from imports following cuts in customs duty and steep increases in the prices of coal, power, petroleum products and railway freight – all controlled by the government – would "put considerable pressure" on its future margins and profits.

Imported steel is now cheaper than the domestic product. Industry officials admit the new generation of carmakers in India will have to import extra deep drawing coils until the quality of domestic coils matches the world standard.

Many in the industry suspect there is "dumping" of steel in India, especially by the Commonwealth of Independent States. But Mr J. Mehra, chairman of Vizag Steel Plant, said "dumping is something which is difficult to prove. However, the high local duties make it difficult for domestic producers to match the CIS prices."

Sail's Mr Nair said: "I think the Indian steel industry has the capacity to become globally competitive. Like us at Sail, the other producers will have to invest heavily in plant modernisation. The challenge is to produce better quality steel at lower cost."

Sail's investment of Rs150bn in modernisation during a five-year plan ending March 1997 will be followed by an even bigger investment in the next five-year plan. The investment aims to phase out the open hearth furnaces, substitute ingot casting with continuous casting and reduce raw material consumption, particularly of energy.

Instead of setting arbitrary standards, Sail aims to match world steel leaders such as Nucor, Posco, Nippon Steel and British Steel in areas such as productivity, quality and processes.

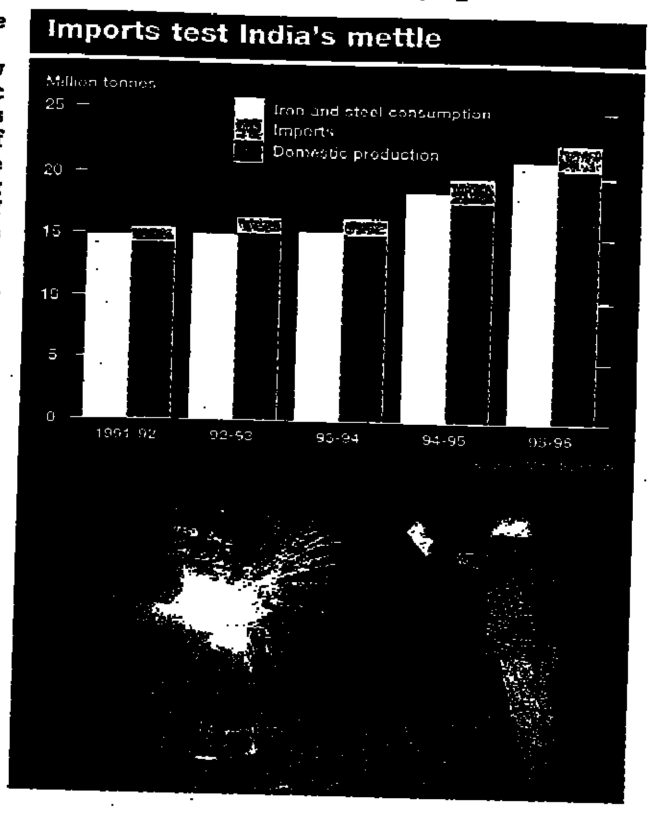
Sail's profit in 1996–97 is unlikely to grow as strongly as in the past few years. But it should still be able to fund the next phase of modernisation through internal cash accruals and borrowings.

The company, which is 85.8 per cent owned by the federal government following the issue of global depository receipts of $125m in March, has the mandate to make another GDR offering and use the funds for modernisation.

Analysts say that Sail and Tisco, with a diversified product mix and strong cash-flow, are able to implement capital intensive modernisation programmes. But other steelmakers will have to wait for better times before they can introduce new technologies.

Mr M.K. Mitra, director of Sail, believes the present difficulties are "a temporary phenomenon". Indian steel consumption should grow from 24m tonnes this year to 31m tonnes by the turn of the century, while the government wants steelmakers to export 6m tonnes of the metal by 2001.

Kunal Bose



Competition forces KDD down at halfway

Telecoms operator warns on full year after 18% decline

By Michiyo Nakamoto in Tokyo

KDD, Japan's leading international telecoms operator, yesterday reported an 18 per cent drop in first-half parent profits and said that full-year results would also suffer from the results of intensified competition.

The company, which applied yesterday for a 5.1 per cent cut in international call rates, said recurring profits slipped from Y17.7bn to Y14.5bn ($130m), on sales that were up 32 per cent at Y166.5bn.

The strong sales increase was largely the result of a change of accounting. Net sales dropped 14 per cent to Y83.3bn.

Japan's international telephone call market has increasingly become a battlefield for operators, which have slashed rates to cope with competition among each other and from new, international callback services. The call-back services have taken advantage of Japan's high rates to offer discounts to customers.

KDD, which has been facing gradual erosion of its share of international calls by two new Japanese carriers, attributed its poor performance to the need to lower rates to meet the increased competition.

The situation facing KDD is expected to get worse before it gets better. "KDD will continue to be under pressure," said Mr Hironobu Sawake, analyst at Nikko Research in Tokyo. He said KDD needed either to increase call volumes, or provide attractive new services and expand its business territory, probably into the domestic market.

In the year to March, the company is forecasting a 32 per cent drop in operating profits to Y16bn, a 23 per cent decline in recurring profits to Y24bn and a 13 per cent fall in net profits to Y12bn.

KDD also faces further challenges from call-back operations. AT&T, the US company, is planning a call-back service using its own lines which is expected to appeal to corporate customers.

KDD plans to enter the Japanese market next year when the telecoms authorities are expected to revise the legislation that bans it from domestic operations. However, the local market is dominated by NTT and unlikely to be a source of profits.

Analysts believe KDD needs to enter the domestic market through an alliance with a long-distance carrier.

Meanwhile, a government advisory panel is considering allowing NTT into the international market, a move which would have a great effect KDD's position there.

Advertising weakness hurts Fairfax result

By Nikki Tait in Sydney

John Fairfax, the leading newspaper publisher in Australia, said its first-quarter profits were down by a half, blaming the poor results on "tough economic conditions" and a depressed advertising market.

The company, which has recently been the subject of bid speculation, said it made only A$16.3m (US$12.8m) after tax in the three months to end-September, down from A$33.8m in the same period of 1995/6.

At the operating level – before interest charges, depreciation and tax – the decline in earnings was less, at 15.9 per cent to A$59.9m. Fairfax said that after adjustments for the number of Saturdays in the quarter – a particularly heavy advertising day – underlying earnings were down 12 per cent.

Operating revenues during the quarter fell 1.5 per cent, to A$256m. This largely reflected a 5.2 per cent drop in classified advertising volumes at the Sydney Morning Herald, and a 3.1 per cent fall at The Age, in Melbourne.

Display advertising in the two papers was down 2.5 per cent and 3.1 per cent respectively.

Fairfax saw a 4 per cent rise in costs, with total operating expenses reaching A$196.1m. However, the company said that the operating performance of its new printing facilities at Chullora, in Sydney, had "improved significantly" after a troubled start-up.

The lower profits were also caused by increased interest charges of A$17.8m, compared with A$10.1m last time, and by a higher depreciation charge of A$16.3m, against A$9.83m in the same period of last year.

Fairfax said it hoped for some improvement in the immediate future, adding that trading results in the second quarter had so far been stronger.

"While employment advertising has remained soft, there is evidence of improvement in other categories," it said.

Fairfax's largest shareholder at present is Mr Conrad Black, the Canadian media proprietor, with 25 per cent. Mr Kerry Packer holds a further 15 per cent. Both are pegged at these levels by Australia's restrictions on ownership of media assets, but these are currently being reviewed.

Mr Rupert Murdoch owns a smaller stake in Fairfax, below the 5 per cent disclosure limit.

Malaysia to ease rules on futures trading

By James Kynge in Kuala Lumpur

Malaysia is easing restrictions on futures trade to raise activity on two recently launched exchanges as part of the country's drive to become a regional financial centre to rival neighbouring Singapore.

Observers said the measures would make it easier to trade contracts on the Kuala Lumpur Options and Financial Futures Exchange (Kloffe), which was launched in December last year, and on the Malaysian Monetary Exchange (MME), launched in May this year.

But they added that until more Malaysian institutions and individuals grew comfortable with futures trading, volumes could remain lacklustre.

The most important measure announced by Mr Munir Majid, chairman of the Securities Commission, was the creation of dual licences which will allow stockbrokers to trade in futures and derivatives on Kloffe and the MME.

This measure, expected to be implemented soon, may mean that stockbrokers start to persuade cash market clients to trade futures.

Currently, the futures contracts are traded by specialised futures brokers who have had to build up their client bases from scratch.

Another measure, Mr Munir said, was to introduce more local marketmakers to the industry. To date, the trades performed by 10 foreign marketmakers have accounted for 51 per cent of the total trade in the three-month Klibor interest rate futures contract, the only instrument currently offered by the MME and the only ringgit-denominated hedging instrument in the world.

Three foreign banks are soon to become Klibor marketmakers, officials said.

In an effort to streamline operations, regulatory bodies are to merge. The Commodities Trading Commission is to be subsumed into the Securities Commission to create a one-stop regulatory body for the trading of stocks, futures and other derivatives.

This measure, which Mr Munir said should be implemented before July next year, could help to cut administrative bottlenecks, analysts said.

Mr Munir's mission to increase liquidity in the two new futures markets is seen as crucial to their success. Without an increase in volumes, the markets could gain a reputation for being difficult to unwind contracts in, analysts said.

Reuter

Munir Majid: relaxing regulations in the markets

Since its launch, Kloffe has averaged about 300 contracts a day and the MME about 300 contracts a day.

Such numbers pale almost into insignificance when compared with the robust trade on the Singapore International Monetary Exchange (Simex), where, for example, daily volume of the euroyen contract alone is more than 30,000.

Minicar sales help Daihatsu advance

By Daniel Bögler in Tokyo

Buoyant sales of its Move minicar helped Daihatsu Motor more than double interim pre-tax profits to Y5.18bn ($46.4m).

Japan's second-largest manufacturer of small cars and minivans announced a 12 per cent improvement in turnover to Y354bn, driven by an 18 per cent rise in domestic sales. Increased competition caused exports to drop 10 per cent.

The group's performance in the six months to September far outstripped that of its larger rival Suzuki, which reported a 3 per cent rise in profits this week. Daihatsu pointed to the success of the Move, which was launched in August 1995 and sold more than 100,000 in its first eight months.

Daihatsu also has high hopes for the Pyzar, a small recreational vehicle introduced three months ago, and for its first electric vehicle, a four-wheeled, single-seater motorcycle.

The results have also benefited from hefty restructuring since the group fell into loss in 1993. Over the past three years, profits per employee have risen nearly tenfold to Y500,000.

However, analysts are concerned that growth will slow now the Move is a year old. Daihatsu is also having problems in Indonesia, where its cars are assembled and distributed by Astra, the national car company.

Home market, Page 17

Spending hits Thai telecom profits

By Ted Bardacke in Bangkok

Two of Thailand's leading mobile telecommunications companies reported sluggish third-quarter profit growth yesterday, reflecting growing competition amid increasing capital spending.

Advanced Info Service, the country's largest network operator, said its third-quarter net profit rose 2.3 per cent year-on-year to Bt888m ($34.9m). Nine-month net profit was 27 per cent higher at Bt2.67bn.

Advanced has been losing market share to rival Total Access Communications posting 127,000 new subscribers through September, against 209,400 at TAC. In September alone Advanced began to reverse the trend through promotional campaigns. These expenses, including air-time discounts, were the main reason behind slow profit growth, analysts said.

Falling handset prices have also helped the company. Advanced's parent, Shinawatra Computer & Communications, imports and distributes handsets. It is considering eliminating the Bt5,000 marketing fee it charges Advanced for each handset in order to expand its subscriber base and may push Advanced to subsidise some of this lost revenue.

United Communication (Ucom), parent of Singapore-listed TAC and a rival of Shinawatra, said third-quarter net profits declined 5.6 per cent to Bt662m. Nine-month net profits of Bt2.03bn were up 5.9 per cent.

Despite TAC winning the subscriber war with Advanced, analysts said Ucom's third-quarter results were below expectations, with the company unlikely to meet its full-year profit forecast of Bt3bn.

While trading margins at Ucom have held up, the success of TAC in winning subscribers has forced the company to accelerate spending on expanding its network. This is important as prices for local calls on fixed lines are expected to rise, providing an incentive for more local mobile phone calls.

Nasdaq listing reforms run dual risk

Change may hurt growth companies and deter investors, writes Tracy Corrigan

This week's proposals to raise minimum listing requirements for Nasdaq are the latest in a series of sweeping changes at America's most heavily traded stock market.

But Nasdaq's attempts to clean up an image tarnished by trading scandals and penny stock fraud may undermine its role as a source of capital for young entrepreneurial companies, some experts say.

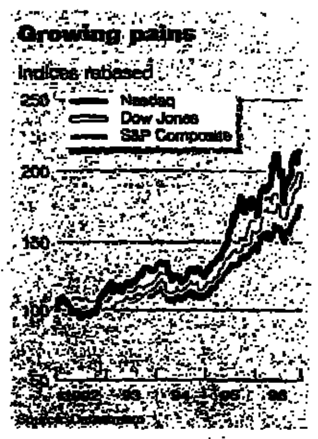
Nasdaq says 30 per cent of the small-cap stocks it currently lists would no longer be eligible if the proposals are adopted. And 174 of the larger companies which have come to the main market since 1994 would not now be allowed to join.

As the prefered market for many fast-growing companies to raise capital, the 20-year-old Nasdaq Stock Market has helped finance the US technology boom. It lists nearly 6,300 companies, compared with fewer than 4,800 in 1992.

But with success has come scandal: in the summer, the National Association of Securities Dealers, the self-regulating group which runs the market, settled with the Justice Department and the SEC after allegations that traders were rigging the market. As part of the settlement, the market is introducing new trading practices and has set up a separate regulatory arm.

The new listing requirements, on the other hand, are aimed at protecting investors from companies rather than from traders. For example, the new rules would prevent companies from issuing large amounts of new stock without shareholder approval.

But in weeding out shady companies, Nasdaq could also cut off funding to bona fide growth companies.



"There's no doubt that the higher threshold will undermine the efforts of small companies to gain access to the capital markets," says Mr David Golden, head of mergers and acquisitions at Hambrecht & Quist, a leading investment bank in the technology sector.

"And it is not clear that the [financial] criteria are useful in minimising stock fraud," he adds, referring to proposals to increase minimum market value from $1m to $5m and set a minimum of $4m of net tangible assets for small-cap companies.

Furthermore, the worry is that there may not be an alternative source of ready capital for young companies.

"What has distinguished the US capital markets historically has been their ability to provide growth capital," says Mr Golden. He describes Nasdaq as "a haven" for growth companies. Stocks without a Nasdaq listing can be traded over-the-counter on one of two systems, known as the Bulletin Board or the Pink Sheets. But stocks traded in this way are illiquid and attract a far smaller group of potential investors.

However, unless Nasdaq can show that it has cleaned up its act, it could attract further regulatory wrath or deter investors.

"Our goal is to strike the proper balance between access to capital for companies and investment quality for investors," said Mr Alfred Berkeley, president of Nasdaq, stressing that the market "has an important role to play in America's economic growth".

A consultation period runs until December 20. One solution for the exchange may be to concentrate on tightening corporate governance requirements, and take a more lenient stance on size. Otherwise, it could become as hard to list on Nasdaq's SmallCap market as on the American Stock Exchange.

Warner Bros to absorb Turner Pictures

By Christopher Parkes in Los Angeles

Turner Pictures, the film-making arm of Turner Broadcasting best known for the heroic but loss-making *Gettysburg*, is to be absorbed into Warner Bros, the studio business run by Time Warner, TBS's new owner.

The plan, announced yesterday, completes an important portion of the post-merger cost-saving strategy at the entertainment and media group. Further integration projects would be announced as the review process advanced, the company said.

The move also brings closer the dissolution of an embryonic film-making empire set up by Mr Ted Turner, founder of TBS, who was believed to be anxious to keep alive the studio bearing his name.

Time Warner is preparing to sell at least a minority stake in New Line Cinema, a 30-year-old studio bought by TBS three years ago, and a buyer is still being sought for Castle Rock Entertainment.

Now, Turner Pictures is to be "phased out" over the next year, the group said in a statement issued in the names of Mr Gerald Levin, chairman and chief executive, and Mr Turner, vice-chairman.

Despite assurances that Turner Pictures' staff and production schedule of an estimated 50 films will be integrated into Warner Bros, some pruning is likely in the light of industry-wide cost-reduction efforts and cuts in the number of films released each year.

The future of some senior executives also seemed in question. Ms Amy Pascal, Turner's most senior executive, for example, will in future report to Warner Bros co-chairmen, Mr Bob Daly and Mr Terry Semel.

Turner's current project list includes *Fallen*, starring Denzel Washington, and *City of Angels*, with Nicholas Cage and Meg Ryan.

New Line is believed to have made the first substantial losses in its history this year as a result of a run of poor performers, including *Last Man Standing* and *The Island of Dr Moreau*.

Du Pont plans nylon business shake-up

By Tracy Corrigan in New York

Du Pont, the US chemicals company which invented nylon, yesterday announced a five-year plan to restructure its nylon fibre business.

The plan aims to reduce costs by $700m a year and raise returns to substantially more than the cost of capital.

But Du Pont also expects to invest approximately $150m in each of the next five years, mainly in the introduction of state-of-the-art nylon spinning technology.

Du Pont Nylon currently has 28 manufacturing sites and employs 19,000 staff. Jobs are expected to be cut by 15 per cent – almost 3,000 in total – as part of the restructuring.

"Our renewal effort is the right thing for our business and its stakeholders," said Mr Ed Van Wely, general manager of Du Pont's global nylon business. "It will more than double the shareholder value of the business by 2002."

Demand for nylon fibres has stagnated as new fibres, such as Du Pont's Lycra, have flourished.

Du Pont Nylon is Du Pont's largest chemicals and specialities business, with revenues from fibres, chemicals and engineering plastics of more than $5bn.

AMERICAS NEWS DIGEST

AT&T takes stake in Rogers Cantel

AT&T, the US telecommunications giant, has moved into the growing Canadian wireless communications arena by becoming a strategic partner in Rogers Cantel, which is 80 per cent held by Rogers Communications, the country's largest cable TV operator.

AT&T, which already owns Canada's second-biggest long-distance telephone company, acquired an option on a small block of shares in Cantel, the leading Canadian wireless communications group, and gets one boardroom seat.

Cantel will now market its products as "Cantel-AT&T" and Mr Robert Allen, chairman of AT&T, said the deal was "another step towards our goal of being a complete service provider in Canada". AT&T is putting heavy resources behind its Canadian long distance telephone unit and will soon move into local services. The two companies have 8m wireless communications subscribers in both Canada and the US. *Robert Gibbens, Montreal*

Thomson ahead at nine months

Thomson, the international publishing, information technology and travel group, reported nine months net profit of US$334m, or 56 cents a share, up 14.4 per cent from US$292m, or 50 cents, a year earlier.

Gains in the core businesses were partially offset by the impact of disposals and a special charge relating to the $3.4bn acquisition of West Publishing in the US, completed in June. Total sales – including West from June 20 to September 30 – were $5.6bn against $5.4bn. This excluded disposals and newspapers held for sale.

The Publishing International group, excluding disposals, increased sales and profit in the third quarter but was little changed in the nine months. *Robert Gibbens*

Hollinger raises Southam bid

Hollinger International has raised its offer for 7m publicly-held shares of Southam, the biggest Canadian daily newspaper group, to C$20 a share from C$18.75, following the recommendation of its independent directors. The total outlay will be C$140m (US$105m) and Hollinger would hold 50.1 per cent of Southam, up from 41 per cent. *Robert Gibbens*

MCI re-jig prepares for BT merger

By Richard Waters in New York and Alan Cane in London

MCI, the US telecommunications group, yesterday announced a reshuffle of its top management group to prepare it for the planned acquisition by BT.

The changes will involve Mr Bert Roberts, the company's chairman, giving up the chief executive position he has held since 1992.

MCI's reshuffle echoed comments already made by the company about how its management structure would change after its merger with BT, a process the two have said will take a year to complete.

By making the changes now, Mr Roberts indicated, MCI was signalling its confidence that the merger would be completed, as well as the depth of its management team.

The MCI chairman will spend his time until the merger planning the integration of the two company's international activities. As previously announced, he is due to become a co-chairman, alongside Sir Iain Vallance, of the new Concert after the merger.

The chief executive's job at MCI has passed to Mr Gerald Taylor, who had already been pencilled in as Concert's president and chief operating officer.

That, in turn, has made room for Mr Tim Price to become president and chief operating officer of MCI. The company had already said that, after its merger with BT, Mr Price would take charge of all of MCI's US business, which would be run as an autonomous subsidiary of Concert.

● The rate of defection of British Telecommunication's residential customers to cable television groups and other competitors appears to have stabilised.

Cable operators are claiming that some 60,000 residential customers a month are abandoning BT in favour of their offerings of full telephone service at a significant discount to BT prices. BT has taken the threat seriously enough to establish special teams to win back defectors.

Yesterday, however, Sir Peter Bonfield, BT chief executive, said the number of BT's residential lines had remained virtually static at 20.5m throughout the year.

He said it was a consequence of the overall growth of the UK market - now thought to be running at over 10 per cent a year as the economy recovers - coupled with the success of BT's promotions and campaigns to reclaim subscribers from its competitors. He agreed the group was continuing to lose market share at 1 to 2 per cent a year.

Sir Peter was introducing BT's interim results some two weeks after the UK company announced its intention to merge with MCI, the second largest US long distance operator in which it already holds a 20 per cent stake.

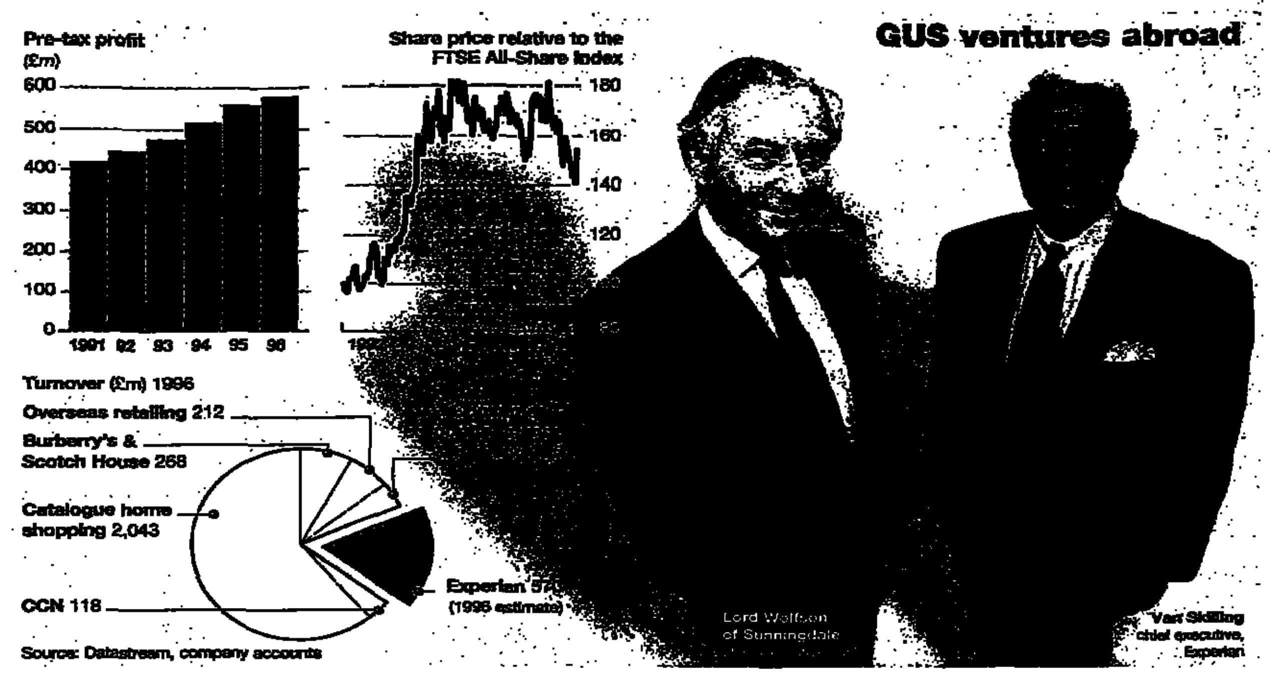
The company has already signalled an interim dividend of 7.9p, a 6 per cent improvement on the 7.45p last year, as part of the merger announcement. At the same time it announced announced a full-year dividend of 19.85p, a 6.1 per cent improvement.

The market approved the results which were broadly in line with expectations, marking the shares up 7.5p to 368p despite declines in both operating and pre-tax profits as a result of sharply increased redundancy payments and a £60m charge for the repurchase of government-held bonds.

Profits before tax came in at £1.59bn for the six months to September 30, compared with £1.61bn. Earnings per share were 16.3p compared with 16.8p.

Peggy Hollinger analyses the change at the UK retailer GUS

A shift from caution to risk



Lord David Wolfson has been in the top spot at GUS for three months, but the is making his mark already.

The $1.7bn deal announced yesterday to buy the US financial information business Experian would have been inconceivable under his predecessor and cousin Lord Leonard Wolfson.

Although he ran a successful business, with profit increases in each of his 44 years at the helm, Lord Leonard was not a man who felt very comfortable with risk. In fact, the group has not bought anything since a mail order business in the Netherlands in the 1960s.

His younger cousin insists he is not a gambler, but he has obviously weighed up the odds of continuing the isolationist stance that characterised GUS. "The biggest risk in a changing market is saying you do not want to take any risk," said Lord (David) Wolfson yesterday.

And yesterday's deal to expand CCN, the company's financial information division, does give an edge to the traditionally cautious GUS.

"He has increased the risk of the business," says Tony Shiret, retail analyst at BZW, "but he has also increased the potential reward."

Analysts are estimating that Experian could add up to 8 percentage points to earnings growth in the first full year, offering greater scope for accelerated dividends.

As part of the duo that rescued the retail chain Next from collapse, Lord Wolfson is well acquainted with risk. "It was a bit like a ship with lots of new equipment but which also has a fire in the engine room," Lord Wolfson says. "I tended to do more thinking about where we should be going because David was putting out the fires."

Wolfson is taking this approach to all of GUS's operations. He is about to tackle a strategic review of the group's five divisions: home shopping, the Burberrys and Scotch House retail division, property, financial services and financial information. At issue will be whether to expand, contract or simply leave the businesses as they are.

"It will take six to nine months to formulate a strategy," says Lord Wolfson, and adds that nothing will be sacrosanct.

Top of his agenda should be home shopping, which has forced the group to make two profit warnings so far this year. The home shopping division is by far the group's largest division, contributing £236.2m of the group's total £581.1m pre-tax profits this year.

He is convinced, however, the review will find the home shopping market is a lucrative one. The key will be to develop specialty catalogues, instead of the Big Book approach which is becoming outdated. "There is a big explosion in home shopping, but it's a different kind – it is a niche market with specialty products," he says.

The group also has a £900m property portfolio, a legacy from the days when it was Britain's largest retailer. Lord Wolfson claims not to have had a conversation about that division's future yet.

Burberrys and Scotch House are less likely candidates for disposal, according to Lord Wolfson. Although analysts estimate demerger of Burberrys could raise more than £1.25bn for GUS, the luxury goods market is booming abroad and the division has increased profits by more than two times in the past four years.

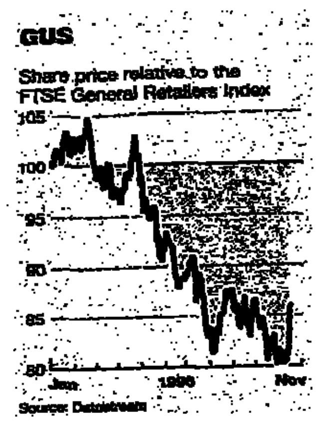
The most exciting opportunities, now that CCN's strategy appears secure, are perhaps in GUS's consumer financial services businesses. The company is looking at a variety of ways to grow this division, from increasing the level of personal loans to introducing GUS credit and/or loyalty cards.

Lord Wolfson points to the success of Marks and Spencer which lends £1.5bn to its customers, without dedicated financial services outlets. With an extensive consumer data base from both the mail order business and financial services, and with £600m in cash still in the bank after yesterday's deal, "we could do that," he says.

Lord Wolfson refuses to be tied to any conclusions before the review is finished. But if there was one message he wanted to get across yesterday, it was that GUS retains the firepower to surprise the market once again. Given his track record so far, it may not be too long before he manages that.

LEX COMMENT

GUS



Lord Wolfson has made a charmed debut as chairman at Great Universal Stores. With barely enough time to get his feet under the desk, he has unveiled a deal rapturously received by the market – the shares rose by 10 per cent on news that GUS is paying £1bn to buy Experian, the US business information group. Partly, of course, this is an expression of relief. GUS was under pressure to do something better than earn 6 per cent interest on its £1.2bn cash-pile. The fear was that it would make an expensive and untimely acquisition at the top of the retail cycle. In reality, it has done much better, buying a fast-growing business without overpaying; a forward price/earnings ratio of 18 does not appear expensive set against comparable deals, or growth prospects of 25 per cent per annum. Strategically, the combination makes good sense: GUS's information division, CCN, and Experian are geographically complementary. Together they will be able to provide the global service their multi-national customers demand, while cross-selling opportunities should boost revenues. The deal will boost earnings in the first year – yesterday's rally reflected this fact, with analysts raising their forecasts to around £670m in 1997-8 from £630m. But a more sustainable re-rating of the shares, now at an 8 per cent discount to the sector, will require evidence that Lord Wolfson can bring a similar Midas touch to bear on GUS's troubled mail order business.

British Biotech in $74m Japanese deal

By Clive Cookson, Science Editor

British Biotech has signed a $74m agreement with Tanabe Seiyaku, a large Japanese drug company, to develop and market marimastat, its leading product, in Japan.

Tanabe will pay British Biotech $7m immediately and a further $67m in a series of milestone payments, as marimastat– an oral anti-cancer drug – goes through the Japanese development and regulatory approvals process. Once marimastat is on the market in Japan, the UK company will receive substantial royalty payments from Tanabe.

British Biotech plans to market marimastat itself in Europe and North America, where the drug is undergoing clinical trials.

In addition to the milestone payments, Tanabe will bear the costs of extra clinical trials in Japan, which are required by the country's regulatory authorities.

Dr Tetsuya Tosa, Tanabe's research and development director, said his company was "determined to put significant resources into marimastat's development, registration and marketing".

British Biotech held discussions with several potential partners in Japan before selecting Tanabe. An important factor was the speed with which Tanabe planned to organise Japanese trials.

PowerGen plans share buyback

By Simon Holberton

PowerGen, the electricity generator, yesterday announced plans to buy back up to 10 per cent of its shares at the same time as it unveiled slightly better than expected interim results.

The company said it made £207m in pre-tax profits for the half year to the end of September, up from £133m.

Pre-tax profits were 4 per cent higher at £138m after excluding an exceptional profit of £69m on the sale of PowerGen's interest in Midlands Electricity, the regional electricity company the government refused to allow it to acquire earlier this year.

The results and the announcement of the buy-back were well received by sector analysts, as was PowerGen's decision to lift interim dividends by 20 per cent to 7.8p a share.

"The results were solid and the buy-back is good news," said one sector analyst. "The buy-back shows they are serious about returning value to shareholders; it shows they're back on track."

The buy-back would cost the generator about £370m and take to more than £1bn the amount it has spent on share buy-backs since its first in September 1994. A buy-back of 10 per cent would mean the company's capital base had contracted by 28 per cent since 1994.

PowerGen said it proposed to offer its 1m smaller shareholders, who own 25 per cent of the company, a chance to participate in the buy-back. For six weeks from the end of this month it would establish a free dealing facility for small shareholders who wanted to trade the company's shares.

Mr Peter Hickson, group finance director, dismissed suggestion that the buy-back meant the company had capacity to pay a windfall profits tax. The share repurchase scheme followed the sale of 10 per cent of the company's generating assets to Eastern Group, the soon-to-be-demerged energy company owned by Hanson.

"We have the capacity to pay a tax, but that would mean that cash would not be available for investment elsewhere," he said.

Ibstock changes chief executive

By Andrew Taylor, Construction Correspondent

Mr Ian Maclellan has been replaced as chief executive of Ibstock after spending more than £200m in 12 months to make the group Britain's biggest brick producer.

His successor, Mr Philip Mengel, 52 and head of Ibstock's US brick making subsidiary Glen-Gery, takes over immediately as group chief executive.

Mr Maclellan, 49, has worked at Ibstock for 17 years, the last five as group managing director. He was on a three year rolling contract worth just over £500,000.

Sir Colin Hope, Ibstock's chairman said negotiations for compensation were continuing. There were no disagreements over acquisition strategy but it was felt that Mr Mengel was a better operational manager to take the enlarged business forward. Mr Maclellan said last night he was proud of his achievements but was confident that Mr Mengel was "the right man to lead the company in the next phase of its development."

Ibstock earlier this year outbid Weinerberger, the Austrian building materials group, to buy Redland's UK brick division, for £155m. Ibstock last June paid £71m last to buy Tarmac's UK brick plants.

The purchases increased the company's market share from 10 per cent to 35 per cent just ahead of Hanson the previous UK market leader. Ibstock, to avoid a monopolies investigation, has been asked to sell five of its 36 plants reducing its market share to about 30 per cent. Sir Colin said: "To have allowed a new entrant into the UK market, such as Weinerberger would have made it even more difficult to hold prices and underpin margins."

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Action Computer	Yr to Aug 30 ✱	134.6	(-)	3.22	(-)	8.4	(-)	-	-	-	-	-
African Gold Φ	6 mths to Sept 30	0.533	(0.37)	0.141	(0.51♠)	0.14	(0.05)	-	-	-	-	-
Alphameric	6 mths to Sept 30	6.29	(6.29)	0.231	(0.965L)	0.5	(2.3L)	nil	-	nil	-	nil
Appleby Westward	28 wks to Sept 7	45.7	(46.1)	0.45	(0.191)	4.6	(2.3)	3.2	Jan 2	3.2	-	9
Bank of Ireland ♣	6 mths to Sept 30	-	(-)	193.1	(191.8)	25.2	(25.7)	6.1	Jan 13	5	-	15.25
BT	6 mths to Sept 30	7,366	(7,048)	1,599♠	(1,606♠)	16.3	(16.8)	7.9	Feb 17	7.45	-	18.7
Café Inns Φ	6 mths to Sept 2	4.15	(3.65)	0.263	(0.331)	5.21	(6.55)	-	-	-	-	2.4
Cedardata	6 mths to Sept 30★	5.86	(5.33)	1.94	(2)	4.1	(4.2)	1.57	Jan 3	1.31	-	4
Lynx	Yr to Sept 30	87.6	(32)	6.95	(2.56♠)	5.38†	(3.73)	1.3	Feb 3	1.15	1.75	1.55
Maid	9 mths to Sept 30	14.8	(9.55)	5.66L	(2.86L)	5.3L	(3.34L)	-	-	-	-	-
Millwall	Yr to May 31	4.05	(4.33)	2.9L	(0.58L)	0.85L	(0.18L)	nil	-	nil	nil	nil
Oxford Instruments	6 mths to Sept 30	57	(55.5)	8.53	(9.03)	12.5	(11.9)	2.1	Mar 26	1.9	-	6.5
Perpetual	Yr to Sept 30	1,458	(1,169)	54.4	(37.2)	135.41	(94.73)	38	Jan 13	29	57	40
Portsmouth & Sund	6 mths to Sept 28	75.2	(70.6)	4.66♠	(4.8♠)	27	(25)	4.25	Dec 30	3.86	-	12.87
PowerGen	6 mths to Sept 29	1,209	(1,104)	207♥	(133)	25.5‡	(13.4)	7.8	Dec 20	6.5	-	21
Property Partner'p	6 mths to Sept 30	3.78	(3.76)	1.27	(1.34)	7.81	(8.86)	2.9	Jan 8	2.8	-	8.4
Quintain Estates	6 mths to Sept 30	4.66☐	(3.15☐)	1.48♥	(1.18)	3.1	(2.7)	1	Dec 4	-	-	-
Radstone Tech	6 mths to Sept 30	8.74	(8.33)	1.41L	(2.63L)	9.1L	(13.43L)	nil	-	nil	-	nil
Scapa	6 mths to Sept 30	265.2	(248.2)	30.2	(27.7)	8.6	(7.9)	1.92	Feb 3	1.79	-	6.68
Shanks & McEwan	6 mths to Sept 28	61.4	(56.9)	11.6	(10.8)	3.9	(3.7)	1.3	Jan 6	1.2	-	3.8
South West Water	6 mths to Sept 30	174.4	(154.9)	68♠	(54)	48.5	(40.2)	11.8	Apr 7	9.8	-	30.5
Therapeutic As $	9 mths to Sept 30	1.21	(0.649)	10.7L	(6.47L)	0.6L†	(0.43L)	-	-	-	-	-
Westmount Energy	Yr to June 30 Φ	0.247	(0.126)	0.111♥	(0.026)	0.7	(0.06)	-	-	-	-	-
Wyefield	Yr to June 30	16.8	(18.1)	2.25L♠	(0.981)	8.9L†	(3.1)	nil	-	0.5	-	1

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Finsbury Worldwide	6 mths to Sept 30	160.4	(114.2)	0.049	(0.098)	0.1†	(0.6)	-	-	-	-	0.25
German Smaller	6 mths to Sept 30	-	(-)	0.564	(0.382)	1.3	(1)	-	-	-	-	1.04✱
Kleinwort High Inc	3 mths to Sept 30	-	(-)	-	(-)	-	(-)	2.6‡	Jan 3	2.15	-	9.2
Martin Currie Euro	6 mths to Oct 31	161.3	(132.6)	0.218	(0.291)	0.93	(1.26)	-	-	-	-	0.73
RIT Capital	6 mths to Sept 30	292.2	(283.2♦)	2.6	(1.8)	1.44	(1.02)	-	-	-	-	1.65
Saracen Value	6 mths to Sept 30	113.5	(106.7)	1.08	(0.471)	1.22	(0.97)	0.6	Dec 30	0.6	-	1.2
Schroder Split	Yr to Jan 31	-	(-)	-	(-)	-	(-)	2‡‡	Dec 31	1.9	-	7.85

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ✱Pro forma. ΦAim stock. ♣Irish currency. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ★Comparatives restated. ☐Gross rental income. ‡On reduced capital. ✱Included Foreign Income dividend element. ‡First interim. ♦At March 31. ‡‡Third interim: makes 6p (5.7p) to date. $US currency.

REPUBLIC OF MACEDONIA

Survival against all the odds

Macedonia, surrounded by troublesome neighbours, needs peace to develop its battered economy. A report by Kevin Done and Kerin Hope

Macedonia has learned during the past five years how to survive in a hostile world. Landlocked and surrounded by sceptical, testing neighbours, it was given little chance, as it broke away from disintegrating Yugoslavia to gain its independence in 1991.

The poorest of the republics of former Yugoslavia, it has seized its opportunity to take on the role of the buffer state at the heart of the turbulent Balkans.

With international political backing and the deployment of a thin line of United Nations forces on its northern and north-western borders, it has shown that it can become a force for stability in the region. Now it must also show that it can learn how to develop and prosper.

Its prospects for development are improving, albeit from a low base, and it is gradually building a case for convincing still wary foreign investors that it has a future as a Balkan transport and services hub straddling key traditional trading routes between the northern Mediterranean and central and western Europe.

For the first time in its five years of existence, it is enjoying relatively normal relations with all of its troublesome neighbours, with open borders to both north and south through Serbia and Greece, as well as to the east and west through Bulgaria and Albania.

The lifting of United Nations sanctions on the Federal Republic of Yugoslavia – Serbia and Montenegro – has allowed Macedonia to normalise its links with Belgrade.

Delicate questions concerning the demarcation of stretches of the border remain to be solved. The re-establishment of diplomatic relations earlier this year, however, and the recent signing of a trade agreement leading to free trade by the end of the decade have allowed the country to gain access again to what was its most important market before the collapse of Yugoslavia.

To the south, relations with Greece are still far from easy, but international pressure has persuaded Athens to abandon its highly damaging unilateral trade blockade against Macedonia.

Greece closed its borders in a vain attempt to force the country to change its name, which Athens considers to represent a territorial claim on its northern provinces.

Mr Cyrus Vance, the UN mediator in the continuing talks on the name conflict has still to unpick this particular knot, but at least the border has been re-opened.

Greece restored ties with Macedonia a year ago under an interim agreement brokered by the US.

While trade and tourism have picked up, there has been little progress in the negotiations over Macedonia's name, which Greece says should include a prefix such as "New" or "North".

Mr Ljubomir Frckovski, Macedonia's foreign minister, points out that the country's constitutional name, Republic of Macedonia, has a prefix that rules out any confusion with the Greek province. He suggests that for bilateral purposes Greece should call Macedonia "by whatever name it wants to choose."

The lifting of the Greek blockade has allowed Macedonia to regain access to Thessaloniki, its most important export port. The flow of vital imports, including crude oil has been re-started and, importantly for long-term development, Skopje's hotels are again beginning to fill with potential Greek investors.

Macedonia still faces a struggle to shake off the ugly acronym FYROM. The Former Yugoslav Republic of Macedonia, the designation – Skopje insists it is not a name – it received at the UN and which is still used officially by European Union member states at the insistence of Greece. But it is turning the tide, and a growing number of countries are recognising it officially as the Republic of Macedonia, as it builds up diplomatic ties around the world.

Of 78 countries that have recognised Macedonia, two-thirds have done so under the country's constitutional name, says Mr Frckovski.

During the desperately difficult two years when trading routes and markets to both the north and the south were closed, fostering widespread smuggling and illicit trade, Macedonia was at least able to ship goods through Bulgaria and Albania, but at heavy cost to the economy.

The transport infrastructure for reaching the port of Burgas on Bulgaria's Black Sea coast or Albania's Adriatic port of Durres is woefully inadequate, exposing the inherent weakness of road and rail links through much of the inhospitable, mountainous terrain of the Balkans.

Bulgaria provided a lifeline, but it too is now placing other obstacles in the path of normal relations.

While Sofia recognises Macedonia under its official name, it has belatedly decided that it has cultural problems recognising the Macedonian language which it considers essentially to be a dialect of Bulgarian.

Mr Kiro Gligorov, Macedonia's veteran president, a wily survivor of Yugoslav politics who steered his country to independence, says the issue became "especially sensitive" during the recent Bulgarian presidential election campaign. He points to the linguistic strands in the explosive conflict between Serbia and Croatia and in the build-up of nationalism and intolerance in the region.

The language row is already holding up the signing of more than 20 bilateral agreements between Sofia and Skopje.

"The language of a nation is a trademark of its identity," says President Gligorov. "If the Macedonian language is but a dialect of the Bulgarian or the Serbian language, this can re-open the issue as to who we are and what we are. If our language is not our own, if our language belongs to another nation, that nation may claim that this is Serbia or Bulgaria and thus re-open the Balkan conflict regarding Macedonia."

The most acute threat to Macedonia's security remains the danger of tensions spilling over from Kosovo, the southern province of Serbia, where the largely ethnic Albanian population still lives under heavy repression in a virtual police state ruled from Belgrade.

While international attention was inevitably focused on ending the war in Bosnia, the Albanian question remained in abeyance; the unsolved issue on the Balkan agenda. Little more than half of the 6m ethnic Albanians in the region live inside the borders of Albania. Close to 2m live under severe duress and discrimination in Kosovo, while about a quarter of Macedonia's population is also ethnic Albanian.

Mistrust between Macedonia's Slav and Albanian populations runs deep. Skopje is allergic to any signs of what it regards as interference from Albania in its domestic affairs such as calls from Tirana for greater rights for the ethnic Albanians, and to the more extreme voices within the Albanian community that still harbour the notion of a Greater Albania.

While some of the festering grievances of Macedonia's Albanian community are justified, there are signs of a softening of the stance of the Social Democrat-led government of Mr Branko Crvenkovski, prime minister, and a recognition that bridges must be built between the two communities. The most moderate of the ethnic Albanian parties, the Party for Democratic Prosperity, is part of the coalition government and appears committed to working for reforms from within the present system.

There is no longer the sense that the two parties co-operating in government are "the biggest traitors to their peoples," insists Mr Crvenkovski. "It is a complex issue that must be dealt with very patiently over a long period, especially in a region like the Balkans. It is always easier to raise tension and to radicalise than to develop mutual respect and tolerance."

It is the sense of unresolved tensions, both inside the country and immediately beyond its borders, that is pushing Macedonia to press for the continued presence of UN troops in the country. Since it was formed at the end of 1992, the 1,000-strong United Nations Preventive Deployment force (Unpredep) has acted as a trip-wire or early warning against the spill-over of fighting in Bosnia or unrest in Kosovo into the southern Balkans.

Macedonian suspicions have been raised by calls from Russia for the force to be reduced in size, but Mr Frckovski argues strongly that "decreasing Unpredep would send the wrong signals" with all the main causes of tension in the Balkans still unresolved.

Whatever the progress made in the first five years of independence there is still a palpable sense of vulnerability in Skopje, highlighted by the car-bomb assassination attempt on President Gligorov a year ago.

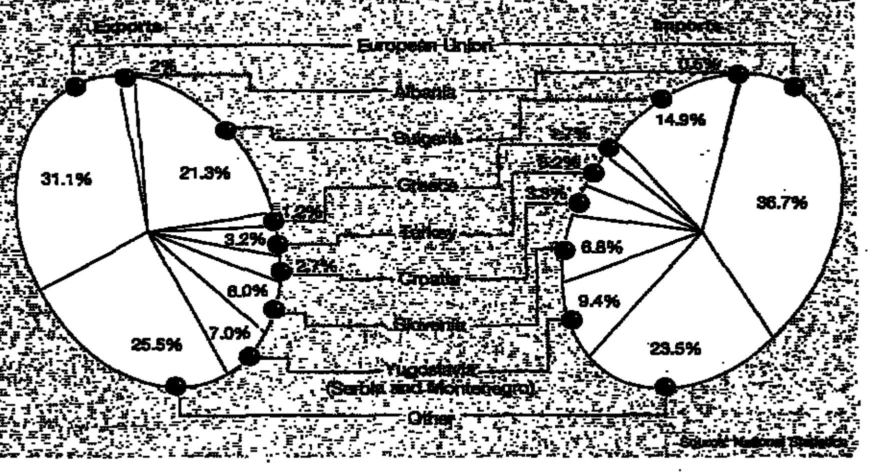
It is still in the phase of privatising its economy; it feels exposed to the flows of "contaminated money" and money laundering in the region; it sees the economic chaos that has engulfed neighbouring Bulgaria; and it is deeply aware of the threats to its own hard-won macro-economic stability, which has produced the lowest rate of inflation in the whole of eastern Europe, but at considerable social cost. It desperately needs peace in the region to consolidate the gains.

"The economy has finally bottomed out," says one western official in Skopje. "But so far it was crisis management. Now they must work out what are the comparative advantages of the country, and what is the vision for making the economy viable. It is a much more difficult stage."

Head of state: President Kiro Gligorov

Economic summary

	1991	1992	1993	1994	1995	1996*
Real GDP growth (annual % change)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Industrial production (annual % change)	-17.2	-16.0	-10.0	-9.0	-11	4.0
Inflation (% change in RPI, end-year)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount rate (%, end-year)	[illegible]	250	295	33	15	[illegible]
Current account ($m)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trade balance ($m)	-225	7	-172	-186	-222	-275
Exports ($m)	1,150	1,199	1,055	1,086	[illegible]	[illegible]
Imports ($m)	1,375	1,206	1,227	1,272	[illegible]	[illegible]
External debt ($m, end-year)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Official reserves, gross (in months of imports)	[illegible]	0.6	1.3	1.5	1.8	[illegible]
Official exchange rate (Denar per $, end-period)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Unemployment (%)	[illegible]	18.0	18.8	18.7	19.2	[illegible]



■ **Politics:** by Kerin Hope

Balance of power has shifted

Mr Gligorov has been gradually sidelined after failing to keep the coalition together

Last year's attempted assassination of President Kiro Gligorov has radically altered Macedonia's political landscape. Although the 79-year-old leader made a remarkable recovery from injuries received in a car-bomb attack – which included the loss of his right eye – the balance of power has shifted in favour of a group of pragmatic political leaders in their 30s.

They are led by Mr Branko Crvenkovski, 34, the prime minister, who governed in the president's shadow for several years, and Mr Ljubomir Frckoski, 39, foreign minister, who bounced back unexpectedly after offering to resign as interior minister amid criticism of his handling of the car-bomb investigation.

Mr Crvenkovski's ex-communist Social Democrat party faces its first popularity test in Sunday's local government elections since the break-up of the coalition government in February.

A controversial law passed earlier this year has increased the number of municipalities from 34 to 120 which is likely to increase the governing party's chances of controlling a majority of town councils but raises questions about how efficiently they can be administered.

Mr Crvenkovski has strengthened his grip on power since his party broke away from the Liberal party, the main partner in the Alliance for Macedonia coalition founded by Mr Gligorov. The Social Democrats now govern with the moderate Party for Democratic Prosperity, the main political grouping for Macedonia's large ethnic Albanian minority.

Mr Gligorov, who is close to the Liberals, is still Macedonia's most popular politician. In leading Macedonia to independence and keeping it out of the wars of the Yugoslav succession, he helped maintain a corner of stability in the turbulent Balkans. It was an achievement that few Macedonians would have predicted at the time of the Yugoslav federation's collapse.

However, Mr Gligorov has been gradually sidelined after failing to keep the governing coalition together. Moreover, the Liberals, whose main backers are prominent Macedonian businessmen, have been attacked for promoting patronage politics and for opposing their coalition partners' plans to improve the status of the Albanian minority.

Mr Crvenkovski still supports Mr Gligorov's policies of bringing Macedonia as close as possible to the US and western Europe, while fears that the government's commitment to economic restructuring might weaken once the former communists lost their pro-business partners so far seem unfounded.


Crvenkovski: he still supports Gligorov's policies of bringing Macedonia as close as possible to the US and western Europe

Mr Crvenkovski, a computer engineer who used to head the Macedonian communist party's youth movement, took over the Social Democrat party in 1991 after it abandoned both Marxism and its communist-era leaders. He became prime minister the following year, forming Macedonia's first political government after a coalition of technocrats collapsed.

However, he has continued to fill the cabinet with Skopje University professors, among them his former teacher, Mr Blagoj Handziski, who holds the defence portfolio. The academics are seen as less politically tainted than members of the old nomenklatura who moved comfortably between cabinet posts and jobs as chief executives of Macedonia's largest state enterprises.

Mr Frckoski, a law professor who played an important role in drafting Macedonia's new constitution before independence but was not involved in party politics, is not seen as a rival to Mr Crvenkovski. Although his outspokenness has occasionally embarrassed the government, his legal skills have proved useful in tortuous negotiations with both Serbia and Greece.

Opinion polls, considered fairly unreliable, give the Social Democrats an edge in the local government elections. Their main challengers are not the Liberals, but two nationalist parties, the International Macedonian Revolutionary Organisation (VMRO) and the Democratic Party, which are running joint candidates in most municipalities.

VMRO and the Democrats are not represented in parliament because they pulled out of the second round of a general election in 1994 in protest against alleged irregularities in the electoral register. Their absence from the political stage, now admitted to be a mistake, has given both parties an incentive to campaign as enthusiastically as they would for a parliamentary election.

In response, leading Social Democrat personalities are appearing on platforms beside their mayoral candidates in towns all over Macedonia. The government has also underlined its democratic credentials by preparing a new register of voters, which has been presented for public scrutiny ahead of Sunday's poll.

■ **The Albanian minority:** by Kerin Hope

Barometer of ethnic tension

The government is committed to removing political and economic obstacles

The administrative headquarters of Tetovo's unofficial Albanian-language university

Brand new desks and computer terminals fill the living-room of a newly finished villa in Tetovo whose owner, an ethnic Albanian, left Macedonia to work in Switzerland. His home is now the information technology department of Tetovo's unofficial Albanian-language university, which opened almost two years ago amid violent clashes between Slavs and Albanians and is considered illegal by the Macedonian government.

The university's main building is closed and its rector, Mr Fadil Sulejmani, is serving a one-year prison term for inciting a riot. Nonetheless, university officials say that about 2,500 young Albanians attend courses in private homes.

Tetovo, a city in western Macedonia overlooked by snow-capped mountains marking the border with Albania, has a predominantly Albanian population. It has become Macedonia's barometer of inter-ethnic tension, not only because of the university but because three vociferous ethnic Albanian political parties have their headquarters there.

The Macedonian government fears that with encouragement from radical Albanian politicians, the university could become the focus of an Albanian separatist movement. Many of its staff used to teach at Pristina University in the restive Serb-ruled province of Kosovo, whose overwhelmingly Albanian population seeks autonomy from Belgrade.

However, Mr Ismail Murtezan, the university's vice-rector, says it is a community-backed project aimed at filling a gaping hole in Macedonia's educational system. A shortage of secondary schools and teachers in Albanian districts means that most Albanian children have to leave school at 14 and have little opportunity to acquire skills.

"We expect that political attitudes will change and that the university will be officially recognised," he says. "The economy is moving towards privatisation and more expertise will be needed, regardless of where the diploma comes from."

Officially, Albanians make up 23 per cent of Macedonia's 2.1m population, compared to a total of less than 10 per cent for the Turkish, Gypsy, Vlach and Serbian minorities. But ethnic Albanian politicians say the minority accounts for at least 33 per cent and accuse the government of refusing to grant citizenship to many Albanians for fear of upsetting the demographic balance.

The politicians' efforts to improve the Albanians' status range from co-operating with Macedonian authorities in order to boost educational and job opportunities for Albanians, to demanding constitutional change that would give them more political autonomy – or threatening to follow the example of Albanians in Kosovo and opt out of Macedonian society altogether.

Given Macedonia's ambition of becoming a successful multi-ethnic state, the government has decided to join forces with the moderate Albanian party and make a commitment to removing the political and economic obstacles that prevent Albanians from living on equal terms with Slavs.

Mr Branko Crvenkovski, prime minister, says the process must be gradual: "Inter-ethnic relations are a complex issue which has to be dealt with patiently. In a region like this, it takes a long period to develop mutual respect and tolerance." Four years of co-operation between the governing Social Democrats and the moderate Party for Democratic Prosperity, the largest Albanian political party, has helped to reduce suspicion at the political level, although little attempt has been made to improve relations between ordinary Slavs and Albanians.

Mr Crvenkovski says the government has increased quotas for Albanian employees in the public sector and for Albanian students at Skopje university, and is trying to encourage more Albanians to become officers in the police and armed forces.

"There is progress, but it takes a lot of effort," says Mr Mevlan Tahiri, a PDP deputy. "We're accused by the radicals of being collaborators, but it's become clear that it would be difficult for any Slav party to govern without us."

However, the pace of change appears too slow for Albanian businessmen, who complain that their investment opportunities are limited to building new homes in Tetovo or the surrounding villages, or buying shops and office premises made available under the government's privatisation programme.

Mr Menaf Neziri, who manages a leather-processing plant outside Tetovo, says his family's application to set up a small factory manufacturing wool rugs has been held up by bureaucratic delays, while his attempts to raise bank financing in Macedonia for the project have proved fruitless.

"It is much more difficult for ethnic Albanians to get these things done, although we have ideas for projects and there is capital available to be repatriated from western Europe," he says. "In business, too, we are second-class citizens."

Winemaker Stephen Clarke has helped Povardarie to improve quality and introduce new brands

■ **Agriculture:** by Kerin Hope

Growing importance

Workers turned to subsistence farming as industrial *output declined*

Inside a railway tunnel near Macedonia's border with Bulgaria, women in neat overalls and white rubber boots are heaving sacks of compost on to metal shelves. In three months' time they expect to harvest a mushroom crop that has become as important to the Osogovo forestry company as sawn timber, its main product.

Osogovo produces about 55 tonnes of mushrooms a year in two disused tunnels rented from Macedonian state railways. The company imports spore from France but makes its own compost out of straw and chicken dung, which is also sold to an increasing number of growers around the country. Among them are loss-making mining companies which have switched to producing mushrooms in underground shafts and galleries in order to provide cash flow and protect workers' jobs.

Mr Cvetan Mitevski, Osogovo's general manager who studied organic mushroom-growing in the Netherlands, says: "We're in the same situation as the mining companies. We can't afford bank loans but the mushrooms are a good source of cash for keeping going."

The precipitous decline in Macedonia's industrial output has made agriculture more important to the economy. Workers made redundant have turned to subsistence farming on small family plots, while larger private farmers have focused on increasing meat and dairy production by a substantial margin in order to meet shortages that resulted from UN sanctions against trade with Serbia, formerly Macedonia's main supplier.

Macedonia's 177,000 private farmers produce about *three-quarters of agricultural* output on fragmented holdings with an average size of only 2.8 hectares. They grow most of Macedonia's export crops, such as tobacco, strawberries and table grapes.

Last year, agriculture accounted for about 20 per cent of gross social product and was the only sector of the economy to show any growth.

Farming is expected to become more important as Macedonia *completes the* transition to a market economy. Its natural advantages include fertile river valleys where early vegetables flourish, rolling hillsides that are ideal for vineyards and orchards, and an abundance of high pasture land for raising sheep

Mr Neil Moze of Voca, a US aid programme which provides know-how for private farmers, says "Macedonia has the potential to develop niche markets in a *number of areas, because its* production is of very high quality. But it will take time because there's not much money available at present to invest in *processing or* packaging."

In federal Yugoslavia, Macedonia served as market garden for the larger republics to the north, sending fresh produce to the Belgrade market, fruit and vegetables for processing in Croatia, and wine in tanker trucks to be bottled and exported from *Slovenia.* Macedonia has few canning and juicing facilities of its own and even wine bottles and glass jars are imported from *Bulgaria.*

Most processing is still carried out by some 20 "agro-kombinats," unwieldy state-owned conglomerates which control 30 per cent of farmland and produce most of Macedonia's cereals as well as operating poultry and pig farms. Some agro-kombinats have diversified into hotels, transport and *tourism. Next year, however,* the agro-kombinats' assets are to be split up and sold under Macedonia's privatisation programme. Processing facilities, livestock and non-agricultural assets will be offered for sale with preference given to bids from managers and employees.

The government is not yet prepared to put state land-holdings up for sale, partly because it faces ownership claims from Macedonians whose land was transferred *to agro-kombinats* under communism. Instead, the agro-kombinats' holdings are to be made available for cultivation on five-year leases.

So far, only a handful of processors have attracted interest from abroad, with attention being focused on the tobacco industry. Macedonia is renowned for producing high quality leaf but considerable investment would be needed to raise productivity to levels comparable with those of Greece or Turkey.

One Macedonian company that has managed to carve out a market abroad is Povardarie, a wine producer *in southern Macedonia that* has already been split off from a local agro-kombinat and was privatised early this year through a management and employee buy-out.

Through a marketing agreement with Macedonian Drinks, a UK-based importer, Povardarie acquired the services of an international winemaker, Mr Stephen Clarke, who has helped to improve quality and introduce several new brands. Last year, 250,000 cases of *Povardarie wine were sold in* UK supermarkets.

"Povardarie is at a crossroads," Mr Clarke says. "It needs new equipment to increase the volume of controlled production and develop the UK market further, but its debts are high. At the moment it's basically working for the bank."

■ **Privatisation:** by Kerin Hope

Moving steadily ahead

Proceeds from the sell-offs have been modest and there have been disappointments

Despite a chronic shortage of capital and lingering disputes over share ownership, Macedonia's privatisation programme is moving steadily ahead.

Almost 900 out of 1,200 manufacturing and service companies on the Privatisation Agency's list of disposals are now privately owned and the remainder are due to be sold or liquidated over the next six months.

The agency's next task will be to dispose of the assets of some 350 agricultural enterprises ranging from large "agro-kombinats" with extensive processing facilities and several hundred employees to bankrupt co-operatives which exist only in name.

The process of splitting up and selling the agro-kombinats' holdings is expected to take at least another year.

Decisions on privatising Macedonia's utilities, including power plants and telecommunications, are being postponed "until we've assessed the situation after completing these first two phases" says Mrs Verica Hadzivasileva-Markovska, the agency's director.

Buy-outs by managers and employees have accounted for most transactions to date, she says. Many Macedonians already held shares in the companies where they worked, which were issued during a privatisation effort launched shortly before the Yugoslav federation collapsed.

Some companies were *"socially owned" as a result* of earlier reforms which on paper transferred control of Yugoslav companies to the workforce.

However, proceeds from privatisation have been modest. The total equity value of the 1,200 companies in the programme was set at DM2bn but the agency has collected only DM160m in cash.

In order to speed up disposals and keep companies in business, buyers were permitted to put down a deposit and pay off the remainder in instalments out of future earnings.

Some companies changed hands without any cash being paid because the government agreed that hard currency deposits which had been frozen after Macedonia left the Yugoslav federation, could be used in privatisation.

International investors have been discouraged from making acquisitions by confusion over shareholding structures and the determination of Macedonian managers to retain control of their companies.

The traditional jewels of *Macedonian manufacturing,* three cigarette producers which make international brands under licence, have remained in Macedonian hands despite the agency's attempts to organise an international tender.

The largest investment in Macedonia's tobacco industry to date was the acquisition by A. Mihailides, a *Greek tobacco processor, of* Strumica Tabak.

The Greek company agreed to pay DM3.6m for a 60 per cent stake in Strumica and update its processing facilities while retaining most of the workforce.

Mrs Hadzivasileva-Markovska says the absence of international interest "was *very disappointing at first* but the consolation is that many privatised companies are now searching for foreign partners themselves."

Another disappointment for Macedonia's privatisation team has been private investors' indifference to the newly-founded Skopje stock exchange.

After seven months of operation, only three companies are listed on the bourse and newly-privatised companies have shown little interest in seeking a flotation.

Although the bourse also offers facilities for trading unlisted shares in socially-owned companies, investors still prefer do so informally, while managers are not keen to dilute their holdings as a result of a capital increase.

In an attempt to drum up enthusiasm for the bourse among small investors, the government launched an offering of shares in the main Skopje shopping centre. It was obliged to reduce the share price from DM100 to DM70 in order to attract buyers.

Mr Evgeni Zografski, the bourse's general manager, is prepared to be patient. "It will take time to develop investor confidence," he says.

"But we expect that in the next year, several profitable privatised companies will come to the market to raise funds for expansion."


Severe economic problems: This street trader sells soft toys at night; during the day he works as a medical assistant *Picture: Kevin Done*

■ **The economy:** by Kevin Done

Prospects have improved

Over the past year, the economy has recovered on several fronts

Macedonia, the poorest and least developed republic in former Yugoslavia, has faced severe economic problems since gaining independence, with gross domestic product declining by more than 40 per cent in the past five years.

A stabilisation programme backed by the International Monetary Fund has succeeded in pulling the country back from the abyss of hyper-inflation, however, supported by a severe tightening of fiscal and monetary policies.

The inflation rate has been brought down from 1,935 per cent at the end of 1992 to an expected level of less than 3 per cent at the end of this year, the lowest in eastern Europe.

Painfully the budget deficit has been reduced from 11.1 per cent of GDP in 1993 to 1.8 per cent last year and a forecast level of only 0.9 per cent for 1996.

The currency, the Macedonian denar, has been stable for more than two years and after starting independence with zero foreign currency reserves, Macedonia had managed to build reserves to $274m by the end of 1995.

There are signs, too, that economic growth has finally resumed – led by an expected increase in industrial production of 4 per cent in 1996.

The country's prospects have improved greatly during the past 12 months, but the easing of regional tension is still to be reflected in a significant rise in economic activity.

The lifting of UN trade sanctions on neighbouring Serbia and the ending of the unilateral Greek blockade late last year have re-opened Macedonia's main trading routes.

In recent weeks, its agreement in principle with the London Club of international banks on the restructuring of its foreign bank debt also promises to open access to the international capital markets. And the outlook is bright for gaining further financial backing from both the International Monetary Fund and the World Bank, has already completed one of the most successful standby arrangements in eastern Europe.

After a slow start privatisation is also gathering pace, but Macedonia still has lot of ground to make up and the social costs of transition have been high.

Unemployment levels are among the worst in the region and while the official figures of close to 40 per cent are discounted for failing to capture much of the growing activity in the private sector, Mr Taki Fiti, finance minister, estimates that unemployment is still running at between 22 and 24 per cent.

The cumulative inflow of foreign direct investment in Macedonia on a per capita basis was only $18 in the period from 1989 to 1995. This was the lowest in the whole of eastern Europe (including the Baltic states but excluding the rest of the former Soviet Union). It was half the level achieved by Bulgaria, the next lowest, and only 7 per cent of the level achieved by Slovenia, the most prosperous part of former Yugoslavia.

Landlocked between the troublesome neighbours of Serbia, Bulgaria, Greece and Albania it has had to endure

> UN sanctions and the Greek trade embargo effectively isolated Macedonia

one of the most difficult passages to an open market economy of any of the transition countries of central and eastern Europe.

It avoided being sucked into war, but it was hit hard by the break-up of former Yugoslavia. It was very much integrated into the Yugoslav market, conducting more than 70 per cent of its trade with the rest of the country and often providing raw materials and semi-finished products for further processing in the more developed areas of the country.

The UN sanctions imposed on Yugoslavia in May 1992 and the Greek trade embargo which started in early 1994 effectively isolated Macedonia from many of its trading partners until late 1995. The borders with Bulgaria and Albania remained open, but the road and rail links to both east and west were, and still are, woefully inadequate.

The enforced isolation had a devasting economic impact, halting production entirely in some sectors of industry.

The giant Skopje steel works, once at the heart of the Macedonian economy producing steel plate for the Croatian shipbuilding industry, was shut for 18 months to mid-1995.

One of the biggest loss-makers, it has been forced to restructure with the elimination of nearly two-thirds of its workforce.

The remaining workforce is being paid, but still four months in arrears – in October they received their salaries for May – and while the plant has struggled back into spasmodic production mainly through contract processing, it has operated at only 20-22 per cent of its 1.2m tonnes capacity.

The disruption to traditional trade patterns has been severe for Macedonian companies. Mr Dimitar Pejcinovski, quality director at Alkaloid, the Macedonian pharmaceuticals and cosmetics group, admits that business was still transacted with Serbia even under sanctions, but says that inevitably many customers were still lost.

"We had to do what we could to survive, these were really hard times. You could not get payment, each transaction was a nightmare."

As Macedonia's borders have re-opened this year, the apparent impact has been to allow in a rising wave of imports, while the export performance has been poor, resulting in a worrying increase in the deficit on the current account of the balance of payments.

"The problem is the trade deficit," says Mr Fiti. "Imports are rising strongly, especially of raw materials, but this could be a signal for rising production next year."

Mr Mihail Petkovski, associate professor of economics at Skopje university, says that the relatively large external deficit could pose a serious threat to the recent gains made in reducing inflation.

"If exports fail to pick up quickly, the pressure to devalue will be inexorable and the targets on the reduction of inflation could well be endangered."

It will take time, however, for a clear picture of Macedonia's trade performance to emerge, given the murky practices that flourished during the period of the two embargoes.

The share of Bulgaria in Macedonian trade has fallen rapidly this year, indicating in part that figures about trade with Bulgaria "covered some illegal trade with Greece and maybe Yugoslavia," says Prof Petkovski.

The most worrying element in Macedonian trade is the low and declining share of exports going to the European Union.

According to professor Petkovski, this "also expresses the difficulties experienced by Macedonian exporters in penetrating the rich markets, because of weaknesses regarding quality, design, technology and marketing."

■ **Banking:** by Kevin Done

Confidence is crucial

Reforms are well under way but there is still a lack of confidence in the system

A young entrepreneur sitting in a Skopje restaurant explains that he does keep his money at a local bank, but in a safe deposit box, not in a savings account. He produces the key from his wallet as a comforting reminder that he can visit his money whenever he needs reassuring that it is still there.

Many Macedonians still operate outside official banking channels. They need little reminder of the $1.2bn of foreign exchange deposits that have been frozen – many would say stolen – since the dissolution of Yugoslavia in 1991. The deposits were out of reach in Belgrade under the supervision of the National Bank of Yugoslavia at the time Macedonia gained its independence in September 1991, and many people lost their life's savings.

Not even deposit rates of 12 to 13 per cent at a time of virtually zero inflation are enough to tempt many savers back, while taking out loans at rates of 20 per cent or more are beyond the financial resources of many enterprises. "The most common source of working capital for many companies is unpaid wages," says a local economist.

Restoring confidence in the banking system and creating viable, functioning, modern banks has become one of the crucial challenges of the transition process in Macedonia. Progress has been made, but the task is far from complete.

"We think there is a big amount of foreign exchange held privately under people's mattresses; perhaps hundreds of millions of dollars," says Mr Tome Nenovski, deputy governor of the National Bank of Macedonia. "Citizens cannot forget what happened to their foreign exchange deposits. It is not easy to bring back confidence."

Reforms have aimed at the restructuring and privatisation of Stopanska Banka, the country's biggest bank, and at the liquidation of the Bank of Foreign Trade. At the outset, these were the two largest banks, accounting for 80 per cent of the banking system. The central bank has also stepped up its supervision of the proliferating number of private banks in an attempt to eliminate widespread connected lending to shareholders.

With support from the World Bank as part of the reforms sponsored by an $85m financial and enterprise sector adjustment credit, measures have been taken to:

- Deal with the overhang from the frozen foreign currency deposits and past foreign credits of the banks;
- Complete the establishment of a regulatory framework for the banking system; and
- Remove undue pressure on banks from politically sensitive enterprises by requiring the government to deal with these directly.

There has been substantial progress. The Bank of Foreign Trade has been liquidated. Stopanska has been broken up and financially restructured, to address its illiquidity and insolvency. It is now out of intensive care, although it still requires further treatment.

Decisions are pending on further deep cuts in the Stopanska workforce which has already been reduced from 2,400 to 1,770. A further 450 jobs are supposed to go by the end of the year.

The restructuring shrank the balance sheet from 65.2bn denars to 16.9bn denars. Mr Ljubomir Popovski, Stopanska Banka general manager, claimed in the bank's annual report that the balance sheet "has been well cleansed and represents a sound base for further operation of the bank."

This optimism is not entirely shared by the central bank, however, which remains concerned about a further build-up of non-performing debt this year.

The government is now seeking urgently to bring in a foreign strategic investor to provide new capital for Stopanska Banka and, above all, new technology, know-how and management methods.

Negotiations have been taking place for several months with GiroCredit of Austria, which is considering the acquisition of a substantial stake supported by the European Bank for Reconstruction and Development and the International Finance Corporation.

According to Mr Taki Fiti, finance minister, the Austrian bank is anxious for the three foreign institutions to hold a majority stake.

"This is a mutual desire. We want a good bank that will contribute to the consolidation and rehabilitation of Stopanska Banka with skilled management and a transfer of know-how."

He expects the fate of the deal to be clear "by the end of the year."

The central bank says that the government is prepared to sell its entire 23 per cent stake to the foreign institutions.

The EBRD has already moved into the banking sector this year with the acquisition of a stake in Komercijalna Banka – the leading private bank – becoming its second-largest shareholder with an investment of about DM4m.

It has also provided a DM11m convertible loan.

Separately, it is also providing a DM40m credit line through four local banks to help provide longer term funding for small and medium-sized enterprises, whose needs cannot be met by the under-developed domestic financial sector.

US, Japan

INTERNATIONAL CAPITAL MARKETS

UK gilts end higher despite jump in RPI

GOVERNMENT BONDS

By Samer Iskandar in London and Lisa Bransten in New York

UK gilts suffered after the release of a higher than expected retail price index for October, but later rebounded to close ahead on the day, outperforming other European markets.

Liffe's December long gilt future settled at 109$\frac{13}{16}$, up 1$\frac{3}{16}$ from the day's low of 108$\frac{7}{16}$, and ⅞ higher than Wednesday's closing level.

Analysts said domestic investors rushed to buy gilts when their 10-year yield spread over bunds temporarily rose above the 2 percentage point mark.

"We are very bullish at these levels", said Mr Mark Capleton, international bond strategist at BZW, dismissing the disappointing inflation data. "The prevalent view is that this is the worst news we are going to get."

He also pointed out that, regardless of European monetary union bullishness, gilts look cheap from a fundamental point of view.

"After all, the yield spread between gilts and bunds is greater than the inflation differential between the two countries," he said.

Mr Capleton, however, pointed out that overseas investors were less bullish and continued to switch out of gilts into markets such as Italy and Spain.

Italian bonds, meanwhile, performed strongly during the day, their 10-year yield momentarily dipping to 25 basis points below that of gilts. This spread, however, later narrowed to close at 11 points.

"Italian and Spanish bonds are still cheap", said Mr Nigel Richardson, head of bond research at Yamaichi in London. "These markets are strong candidates for spread narrowing [over bunds]."

He predicted that, short of a political crisis, Italian 10-year yield spreads over bunds "are heading towards the 100 basis point mark, and possibly 80 basis points over the next 12 months".

This view contrasts with that of BZW, which recently recommended that investors *should* "take profits on overweight positions in Italian bonds".

Conversely, Mr Richardson is bearish on UK gilts. "Current prices do not entirely reflect the political risk ahead of the election", he said.

"The [10-year] spread [over bunds] could widen to over 200 basis points in coming months. The fact that Italian bonds are yielding less does not necessarily mean gilts are becoming cheap," he said.

US Treasury prices were flat to modestly higher in early trading, in spite of economic data that was mildly negative for the market.

Near midday, the benchmark 30-year Treasury was *$\frac{3}{32}$ stronger at 100$\frac{3}{32}$ to yield* 6.446 per cent, while at the short end the two-year note added $\frac{1}{32}$ to 100$\frac{11}{32}$, yielding 5.668 per cent. The December 30-year bond future was up $\frac{3}{16}$ to 114$\frac{13}{16}$.

The yield curve that traces the spread between the two-year note and the long bond steepened by two basis points to 78 points.

Bonds slipped in the early morning after figures released on consumer prices and retail sales were slightly stronger than economists had expected.

Retail sales, which advanced 0.2 per cent in October, were below expectations, but the figures for August and September were revised upward, putting the *three-month figure in line* with expectations.

By late morning, however, bonds had retraced their losses and were slightly positive, putting them near the top of the range established in the wake of the sharp rally seen over the course of this week.

Mr John Spinello, a government securities strategist at Merrill Lynch, called the bond market "bullet proof".

"I thought the market had exhausted itself because of the buying," he said. "You did see profit-taking but some of the profits that were made at the [long-dated] end of the market were being put into the [short end]."

CAPITAL MARKETS NEWS DIGEST

Gdansk to issue municipal bonds

The Polish Baltic city of Gdansk is to pioneer Poland's entry into the international municipal bond market with a 99.3m zloty ($35m) issue in six tranches, of which a third will be offered to non-domestic European investors and off-shore US entities.

Lead managers are Merrill Lynch, *Bank Handlowy* and Bank Gdanski. The issue, to be launched on December 16, is to be offered at 105 basis points over the previous four-week average rate of the Polish one-year Treasury bond, which currently yields around 19.5 per cent. The first tranche of 11.5m zlotys has a four-year maturity. The maturities for the others have not yet been determined.

Mr Tomasz Posadski, the mayor of Gdansk, said the unds will be used to finance investment in the city's ransport infrastructure, including upgrading the main oads out of the city to the airport, and improving urism infrastructure and environmental protection. roceeds will also partially finance the development of an port food product warehouse and an associated ustrial park near the port. Gdansk, whose bankrupt pyard is being partially restructured into an industrial k, has attracted 13 per cent of Poland's total foreign d t investment and is seeking more.

land's first foray into the municipal bond market fo s two successful eurobond issues over the past year, th chievement of investment grade rating from the ma credit agencies, and recent entry into the OECD. Re ed access to international markets on improving ter has made it possible for Polish borrowers to obtain med n-term funds currently not available from the Polis banking system. *Anthony Robinson*

In ease in OTC derivatives

The v me of new business in the over-the-counter deriva es market grew by more than 20 per cent in the first h of 1996, according to the International Swaps and De atives Association.

The ional principal of new interest rate swaps, curren waps and interest rate options grew to $8,310bn from $6 bn in the last six months of 1995. By June 30, outstan transactions – contracts yet to reach maturity otherwise terminate – amounted to $21,069bn against $ 712bn at the end of 1995, a rise of 19 per cent.

"Marke ncertainties and increased liquidities again contribut to the growing use of derivatives," said Mr Thomas M tag, a partner with Goldman Sachs and vice-chair n of ISDA. "Market growth of these transactio continues," said Ms Gay Evans, chairman of ISDA and nior managing director of Bankers Trust Internation

The term tional principal is the amount against which the c *-flows involved in swap and interest rate* contracts ar lculated. The financial risk involved typically ran from less than 1 per cent to 2 per cent of this notional ncipal amount. The ISDA survey is based on aggregate ta submitted by 80 of the association's members. *Richard Lapper*

Investors prove reluctant to commit fresh money

INTERNATIONAL BONDS

By Conner Middelmann

The eurobond sector saw a handful of US dollar-denominated issues yesterday as well as a range of deals in other currencies.

However, dealings were subdued, partly because investors are becoming reluctant to commit fresh money at current yield levels, traders said.

"A lot of investors feel prices have risen too far and coupons are getting unattractive," said one dealer.

In the dollar sector, the US **Federal National Mortgage Association (Fannie Mae)** issued $500m of five-year bonds priced to yield 38 basis points over Treasuries, the top of the indicated range.

Some 55 per cent of the offering was placed with international investors, especially in Asia, with the rest sold to US investors, said an official at Morgan Stanley, joint lead with Goldman Sachs.

Ford Motor Credit Corp also tapped the dollar sector, with a $200m three-year deal aimed at European retail investors. One dealer said the yield spread of 23 basis points over Treasuries was some 10 basis points tighter than that on Ford's bonds in the domestic US market.

However, according to a syndicate official at lead manager ABN Amro Hoare Govett, European retail investors have shown strong demand for three-year dollar paper offering some yield.

Moreover, he said, "many of the retail flows that usually go to the Canadian or Australian dollar markets are coming into the US market on a value basis".

Canada trades at 138 basis points over US Treasuries in the three-year sector and Australian dollar bonds yield about 60 basis points more, "which is very tight in historical terms", he said.

Two securitisation deals backed by assets originated in the US also hit the screens. **First USA Credit Card Master Trust** issued $483.1m of floating-rate notes backed by credit card receivables originated by First USA Bank in the US.

The triple-A rated notes yield 9.5 basis points over one-month Libor at the par re-offer price. Lead manager SBC Warburg said the issue, which was sold only in Europe and the Middle East, was oversubscribed, with strong demand from banks, money market funds and some institutional investors.

Merrill Lynch Revolving Home Equity issued $276.2m of global floating-rate notes backed by loans secured on residential property. Priced at 17 basis points over one-month Libor, the bulk of the issue was placed in the US.

The deal had originally been flagged at a more generous spread but attracted such heavy bidding it was priced more tightly, lead Merrill Lynch said.

On the back of the continued rally in the Italian government bond market, Oesterreichische Sparkasse increased a L300bn 10-year issue by L100bn while the **World Bank** raised a L1,000bn issue by L250bn.

In French francs, Crediop Overseas, the Italian bank, issued FFr2bn of 10-year bonds which were largely placed with French institutional investors attracted by the rarity of an Italian issuer in their currency.

Abbey National tapped the Ecu sector for an Ecu100m offering of four-year bonds aimed at European retail investors, via Paribas Capital Markets.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
FUSA CCMT, 96-7, Cls A(a)‡	483.06	(a1)	100.00R	Feb 2000	0.15R	-	SBC Warburg
Federal Natl Mtg Assoc(b)‡	500	6.35#	99.966R	Nov 2001	0.25R	+38(Wl 5yr)	Goldman/Morgan Stanley
ML RHELAC(c)*‡	276.159	(c1)	100.00R	Jun 2002	undiscl	-	Merrill Lynch Intl
Ford Motor Credit Corp	200	6.125	99.876R	Dec 1999	0.225R	+23(5⅞%Nov99)	ABN Amro Hoare Govett
Compal Electronics(d)§	80	1.00	100.00	Nov 2003	-	-	Jardine Fleming
Citi Investments	50	6.00#	100.93R	Nov 1999	0.50R	+184(5⅞%-99)	Citibank International
GUILDERS							
ABN Amro Bank	600	6.25	99.39R	Nov 2006	0.40R	+45(i)	ABN Amro Hoare Govett
FRENCH FRANCS							
Crediop Overseas	2bn	6.125	99.80R	Dec 2006	0.375R	+30(i)	Société Générale
ITALIAN LIRE							
World Bank(e)	250bn	zero	49.755	Dec 2006	1.875	-	BCI/JP Morgan
Oest Postsparkasse(f)	100bn	7.50	101.60	Dec 2006	2.00	-	BNL/Cariplo
DANISH KRONER							
Ford Credit Europe	400	6.25	101.60	Dec 2002	1.875	-	Bank Brussels Lambert
AUSTRALIAN DOLLARS							
LB Schleswig-Holstein	100	6.50	101.22	Dec 1999	1.50	-	Toronto-Dominion Bank
ECU							
Abbey Natl Trsy Services	100	5.00	99.68R	Dec 2000	0.25R	+20(9½Apr00)	Paribas Capital Markets

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. *Unlisted. §Convertible. ‡Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) First USA Credit Card Master Trust. a1) 1-mth Libor +9½bp. a2) Class B: $43.85m, 1-mth Libor +29bp, parR. b) Callable from 23/11/99 at par. c) Revolving Home Equity Loan Asset-Backed Certs. Av life: 3.5 yrs. Legal maturity: Jan 07. c1) 1-mth Libor +17bp. d) Conversion price: NT$62.50. FX: NT$27.50/US$. Puttable on 21/11/01 at 135.36%. Callable from 21/11/99, subject to 140% hurdle, at accreted value. Greenshoe: $80m. e) L1,000bn increased to L1,250bn. Callable on 6/12/01 at 68.05%. f) L300bn launched Wednesday was increased to L400bn. i) Over interpolated yield. l) Long 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	97.6370	–	7.08	7.18	7.53
Austria		5.875	07/06	99.5600	+0.200	5.93	5.99	5.94
Belgium		7.000	05/06	107.0900	+0.210	6.00	6.05	6.09
Canada *		7.000	12/06	106.3500	+0.300	6.15	6.20	6.75
Denmark		8.000	03/06	108.2400	+0.120	6.78	6.82	6.79
France	BTAN	5.500	10/01	102.9663	+0.180	4.83	4.84	5.00
	OAT	6.500	10/06	104.9800	+0.360	5.83	5.88	5.98
Germany Bund		6.250	04/06	103.0100	+0.320	5.82	5.91	5.97
Ireland		8.000	08/06	108.1000	+0.400	6.84	6.86	6.82
Italy		9.500	02/06	112.5500	+0.070	7.59†	7.82	8.21
Japan	No 140	6.600	06/01	122.0104	–0.160	1.57	1.48	1.63
	No 182	3.000	09/05	102.4210	–0.150	2.67	2.50	2.76
Netherlands		8.500	06/06	119.4100	+0.220	5.81	5.83	5.89
Portugal		9.500	02/06	115.3900	+0.790	7.18	7.37	7.66
Spain		8.800	04/06	110.0000	+0.640	7.28	7.53	7.61
Sweden		6.000	02/05	92.8555	+0.640	7.16	7.27	7.23
UK Gilts		8.000	12/00	102–23	+5/32	7.21	7.15	6.71
		7.500	12/06	99–14	+26/32	7.58	7.61	7.38
		9.000	10/08	110–08	+27/32	7.67	7.73	7.53
US Treasury *		6.500	10/06	102–11	+7/32	6.18	6.26	6.42
		6.500	11/26	100–23	+5/32	6.45	6.58	6.74
ECU (French Govt)		7.000	04/06	105.2400	+0.340	6.24	6.27	6.29

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8¼	One month	-	Two year	5.70
Broker loan rate	7	Two month	-	Three year	5.84
Fed funds	5¼	Three month	5.18	Five year	5.99
Fed.funds at intervention	·	Six month	5.27	10-year	6.21
		One year	5.42	30-year	6.48

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	127.40	127.66	+0.24	127.74	127.36	121,242	180,222
Mar	127.36	127.58	+0.22	127.66	127.32	14,219	44,479
Jun	126.12	126.36	+0.24	126.34	126.12	36	7,028

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Mar
124	3.66	-	-	-	0.05	0.28
125	-	-	-	-	0.12	0.43
126	1.66	-	-	0.05	0.25	0.66
127	0.81	1.05	1.55	0.17	0.52	1.00
128	0.24	0.55	1.02	-	-	-

Est. vol. total, Calls 14,019 Puts 11,356. Previous day's open int., Calls 163,563 Puts 167,146

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	100.68	100.96	+0.29	101.10	100.60	177748	252955
Mar	99.63	99.99	+0.31	100.09	99.63	5421	24727

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
10050	0.57	0.39	0.64	0.81	0.11	0.90	1.15	1.32
10100	0.25	0.23	0.46	0.60	0.29	1.24	1.47	1.61
10150	0.08	0.13	0.32	0.45	0.62	1.64	1.83	1.96

Est. vol. total, Calls 21727 Puts 10923. Previous day's open int., Calls 218940 Puts 223207

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	126.50	127.46	+0.84	127.90	126.50	67743	96185
Mar	125.80	126.56	+0.77	126.90	125.80	3476	5427

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
12700	0.93	1.92	0.47	2.36
12750	0.63	1.69	0.67	2.63
12800	0.44	1.48	0.98	2.92

Est. vol. total, Calls 28888 Puts 8751. Previous day's open int., Calls 209246 Puts 190450

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	109.76	109.75	+0.29	110.67	109.72	103,249	63,709
Mar	109.42	109.18	+0.39	110.00	109.33	1,327	1,044

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	108-28	109-26	+0-28	110-04	108-14	135415	139176
Mar	108-12	109-03	+0-26	109-04	107-30	4141	3137

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
109	1-01	1-07	1-30	1-49	0-13	1-01	1-24	1-43
110	0-27	0-43	1-01	1-19	0-39	1-37	1-59	2-13
111	0-08	0-24	0-43	0-59	1-20	2-18	2-37	2-53

Est. vol. total, Calls 10284 Puts 3348. Previous day's open int., Calls 58596 Puts 33929

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	94.52	94.92	+0.32	94.92	94.52	1,994	7,018
Mar	-	94.48	+0.32	-	-	-	26

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	114–22	114–19	–0–04	114–25	114–12	420,716	397,279
Mar	114–10	114–05	–0–05	114–11	113–31	32,301	46,564
Jun	113–24	113–22	–0–04	113–25	113–17	35	10,201

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	124.45			124.50	124.20	3363	0
Mar	123.48			123.59	123.32	906	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Thu Nov 14	Day's change %	Wed Nov 13	Accrued interest	xd adj. ytd
1 Up to 5 years (21)	120.44	0.07	120.35	1.98	8.90
2 5-15 years (18)	149.47	0.53	148.90	3.25	9.51
3 Over 15 years (8)	168.08	0.89	166.59	4.29	9.83
4 Irredeemables (6)	192.34	0.19	191.98	5.24	8.83
5 All stocks (53)	143.74	0.43	143.22	2.95	9.48

	Low coupon yield Nov 14	Low Nov 13	Low Yr. ago	Medium coupon yield Nov 14	Medium Nov 13	Medium Yr. ago	High coupon yield Nov 14	High Nov 13	High Yr. ago
5 yrs	7.28	7.32	[illegible]	7.34	7.39	7.20	7.38	7.42	7.28
15 yrs	7.78	7.87	[illegible]	7.77	7.86	7.89	7.79	7.88	7.96
20 yrs	7.87	7.94	[illegible]	7.83	7.92	7.93	7.87	7.95	7.99
Irred.†	7.99	8.00	8						

Index-linked	Thu Nov 14	Day's change %	Wed Nov 13	Accrued interest	xd adj. ytd
6 Up to 5 years (2)	202.53	0.07	202.38	0.71	5.28
7 Over 5 years (10)	194.06	0.46	193.18	1.10	4.71
8 All stocks (12)	193.90	0.42	193.10	1.05	4.69

	Inflation 5% Nov 14	Nov 13	Yr. ago	Inflation 10% Nov 14	Nov 13	Yr. ago
Up to 5 yrs	3.14	3.26	[illegible]	2.42	2.63	1.49
Over 5 yrs	3.55	3.62	[illegible]	3.34	3.43	3.33

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Nov 14	Nov 13	Nov 12	Nov 11	Nov 8	Yr ago	High*	Low*
Govt. Secs. (UK)	93.81	93.36	93.84	93.73	93.74	94.92	96.34	91.59
Fixed Interest	115.37	115.35	115.42	115.38	115.57	113.09	116.45	110.74

Gilt Edged Activity Indices

	Nov 13	Nov 12	Nov 11	Nov 8	Nov 7
Gilt Edged bargains	9[illegible]	111.7	92.5	104.0	121.3
5-day average	104	112.5	116.8	124.1	123.4

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on November 14

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	100⅝	100⅞	-⅛	6.37
ABN Amro Bank 7¼ 05	1000	103⅜	103⅝	+⅛	6.84
African Dev Bk 7⅜ 23	500	102⅜	102⅞	+⅛	7.17
Alberta Province 7⅝ 98	1000	103⅛	103⅜		5.80
Asian Dev Bank 6¼ 05	750	99	99¼		6.50
Austria 8½ 00	400	106¾	107		6.10
Baden-Wuertt L-Fin 8⅛ 00	1000	105⅝	105¾	+⅛	6.12
Bancomext 7¼ 04	1000	85¾	86¼	-¼	10.32
Bank Ned Gemeenten 7 99	1000	102⅝	102⅞		5.93
Bayer Vereinsbk 8⅛ 00	500	105½	105¾		6.17
Belgium 5½ 03	1000	95½	95¾		6.32
British Columbia 7¾ 02	500	106½	106¾		6.32
British Gas 0 21	1500	16⅜	16¾		7.51
Canada 6⅜ 05	1500	99⅝	99⅞	-⅛	6.53
Cheung Kong Fin 5½ 98	500	97⅞	98¼		6.73
China 6½ 04	1000	97⅜	97⅞		7.09
Credit Foncier 9½ 99	300	107⅛	107⅜	+⅛	6.08
Denmark 5¾ 98	1000	99⅞	100⅛		5.83
East Japan Railway 6⅝ 04	600	100⅛	100⅜		6.59
EIB 6 04	500	98¾	99		6.21
EIB 9¼ 97	1000	103⅝	103⅞		5.44
Elec de France 9 98	200	103⅞	104⅛		5.85
Ex-Im Bank Japan 8 02	500	107⅝	107⅞	+⅛	6.31
Export Dev Corp 9½ 98	150	105½	105¾		5.89
Exxon Capital 0 04	1800	60⅞	61¼	-⅛	6.40
Fed Home Loan 7⅛ 99	1500	103	103¼		5.98
Federal Natl Mort 7.40 04	1500	106¼	106⅜		6.45
Finland 6¾ 97	3000	101	101¼		5.81
Ford Motor Credit 6¼ 98	1500	100½	100⅝	+⅛	5.92
General Mills 0 13	1000	25⅞	26½	+⅛	8.40
INI Finance 5¼ 98	650	98⅝	98⅞		5.97
Inter-Amer Dev 6⅛ 06	1000	98	98⅛		6.51
Inter-Amer Dev 7½ 05	500	106	106¼		6.54
Intl Finance 5¼ 99	500	98⅞	99⅛	+⅛	5.81
Italy 6 03	2000	98¼	98½		6.42
Italy 6⅞ 23	3500	96⅝	96⅞	+⅛	7.29
Japan Dev Bk 8⅜ 01	500	107¾	107⅞	+⅛	6.23
Korea Elec Power 6⅜ 03	1350	97¾	98¼	-¼	6.87
Matsushita Elec 7¼ 02	1000	104⅜	104⅝		6.42
Ontario 7⅜ 03	3000	105	105¼		6.49
Oster Kontrollbank 8½ 01	200	108¼	108½		6.24
Portugal 5¾ 03	1000	96¾	96⅞	+⅛	6.44
Quebec Hydro 9¾ 98	150	106⅛	106⅜		6.17
Quebec Prov 9 98	200	103¾	104		6.07
SAS 10 99	200	107⅜	107¾		6.40
SNCF 9½ 98	150	105½	105¾		5.93
Spain 6½ 99	1500	101⅝	101¾		5.86
Sweden 6½ 03	2000	101⅜	101⅝		6.33
Tennessee Valley 6 00	1000	99⅞	100⅛		6.13
Tennessee Valley 6⅜ 05	2000	99¾	100		6.52
Tokyo Elec Power 6⅛ 03	1000	99⅜	99⅝	-⅛	6.24
Toyota Motor 5⅝ 98	1500	99¾	100		5.80
United Kingdom 7¼ 02	3000	105¾	105⅞	+⅛	6.09
Walt Disney 6⅜ 01	1300	100¼	100½	+½	6.37
World Bank 6⅜ 05	1500	100¼	100½		6.44
World Bank 8⅜ 99	1500	107¼	107½		5.69
DEUTSCHE MARK STRAIGHTS					
Austria 6½ 24	2000	95⅛	95⅝	+¼	6.81
Baden-Wuertt L-Finance 6 99	2000	104⅝	105		4.00
Credit Foncier 7¼ 03	2000	107½	107¾	-⅛	6.78
Denmark 6⅛ 98	2000	103½	103⅝		3.53
Depfa Finance 6⅜ 03	1500	103⅜	103¾		5.72
Deutsche Bk Fin 7½ 03	2000	108⅞	109¼	+⅛	5.75
Deutsche Finance 5¾ 04	2500	100⅜	100⅝		5.88
EEC 6½ 00	2800	106⅜	106½		4.38
EIB 6¼ 00	1500	105⅝	105⅞		4.42
Finland 7½ 00	3000	109¼	109⅜		4.34
Italy 7¼ 98	5000	104½	104½		3.48
LKB Baden-Wuertt 6½ 08	2250	102⅜	102¾	+¼	6.21
Norway 6⅛ 98	1500	103⅝	103⅞		3.54
Ontario 6¼ 04	1500	102½	102⅝	+⅛	5.81
Spain 7¼ 03	4000	109	109⅛		5.51
Volkswagen Intl Fin 7 03	1000	108⅜	108¾	-⅛	5.79
World Bank 5⅞ 03	3000	102½	102¾	+⅛	5.44
World Bank 6⅛ 02	3000	104¾	104¾		5.16
World Bank 7⅛ 05	3000	108⅛	108¼	+⅛	5.67
SWISS FRANC STRAIGHTS					
Asian Dev Bank 0 16	500	38⅝	39⅛	-⅛	5.07
Austria 4½ 00	1000	105½	105⅝	-¼	2.70
Council Europe 4¾ 98	250	103	103¼		2.30
Denmark 4¼ 99	1000	104½	104⅞	-⅛	2.61
EIB 3¾ 99	1000	103	103⅛	-⅛	2.34
EIB 6¾ 04	300	114¾	115¼		4.49
Finland 7¼ 99	300	111⅝	112¼	-⅛	3.00
Iceland 7⅝ 00	100	114¼	114⅝	-¼	3.46
Inter Amer Dev 4¾ 03	600	105	105½	+¼	3.73
Ontario 6¼ 03	400	113⅛	113⅝	-¼	3.83
Quebec Hydro 5 08	100	103¼	103½		4.62
SNCF 7 04	450	118¾	119¼	-¼	4.16
Sweden 4¾ 03	500	105¾	106	-⅛	3.77
World Bank 0 21	700	29	29¼	+⅛	5.07
World Bank 7 01	600	114¾	114⅞	-¼	3.27
YEN STRAIGHTS					
Belgium 5 99	75000	111¼	111⅜		1.27
Credit Foncier 4¾ 02	75000	112⅝	112⅞	+¼	2.37
EIB 6⅝ 00	100000	117⅛	117⅜		1.34
Ex-Im Bank Japan 4⅜ 03	105000	112⅜	112⅝		2.40
Inter Amer Dev 7¼ 00	30000	119⅝	119⅞		1.46
Italy 3½ 01	300000	107¼	107⅜	-⅛	1.85
Italy 5 04	200000	116⅜	116⅝		2.72
Japan Dev Bk 5 99	100000	110⅜	110⅝		1.18
Japan Dev Bk 6½ 01	120000	121½	121⅝		1.83
SNCF 6¾ 00	30000	117¼	117½	-⅛	1.38
Spain 5¾ 02	125000	118⅝	118⅞	-⅛	2.04
Sweden 4⅝ 98	150000	104¾	105	-⅛	0.71
World Bank 5¼ 02	250000	116⅝	116¾		1.97
OTHER STRAIGHTS					
Credit Foncier 7.60 02 LFr	2000	104	105		6.78
EIB 7⅛ 05 LFr	3000	107½	108½		6.00
Rabobank Nederld 8¼ 04 LFr	3000				
Austria 6½ 99 Fl	1000	105¾	105⅞		4.00
PTT Nederland 6½ 06 Fl	1300				
Bell Canada 10⅝ 99 C$	150	114	114½	+¼	4.88
British Columbia 7¾ 03 C$	1250	110	110¼		5.98
Canada Mtg & Hsg 8¼ 99 C$	1000	109⅛	109⅜	+⅛	4.88
EIB 10⅛ 98 C$	130	108	108¼	+⅛	3.78
Elec de France 9¾ 99 C$	275	112¾	113⅛	+¼	4.79
KfW Int Fin 10 01 C$	400	117	117⅜	+¼	5.45
Nippon Tel Tel 10¼ 99 C$	200	114¼	114⅝	+¼	4.90
Ontario 8 03 C$	1500	111⅛	111⅜		5.96
Ontario Hydro 10⅞ 99 C$	500	114	114¼	+¼	4.50
Oster Kontrollbank 10¼ 99 C$	150	113⅝	114	+¼	4.74
Quebec Hydro 7 04 C$	1000	104½	104¾		6.34
Quebec Prov 10½ 98 C$	200	111⅝	111⅞	+¼	4.48
Council Europe 9 01 Ecu	1100	114¼	115⅛	+⅛	5.54
Credit Foncier 8⅜ 04 Ecu	1000	110⅞	111⅜	+¼	6.46
Denmark 8½ 02 Ecu	1000	113⅛	113⅝	+⅛	5.57
EC 6 00 Ecu	1100	103¾	104		4.93
EIB 10 01 Ecu	1150	117⅝	117⅞	+⅛	5.20
Ferro del Stat 10⅛ 98 Ecu	500	106¼	106¾		4.41
Italy 10¾ 00 Ecu	1000	117¼	117⅝	+⅛	5.11
United Kingdom 9⅛ 01 Ecu	2750	114½	114⅝	+⅛	5.24
AIDC 10 99 A$	100	107¼	107¾	-⅛	6.84
Comm Bk Australia 13¾ 99 A$	100	117	117⅜	-¼	6.95
EIB 7¾ 99 A$	350	104⅛	104⅝	+⅛	6.17
NSW Treasury Zero 0 20 A$	1000	17	17⅛	-⅛	7.65
R & I Bank 7¾ 03 A$	125	102⅜	102¾	-⅛	7.27
State Bk NSW 9 02 A$	300	108¼	108⅝		7.21
Sth Aust Govt Fin 9 02 A$	150	108¼	108⅝		7.22
Unilever Australia 12 98 A$	150	106⅞	107¼		6.63
Western Aust Treas 7⅝ 98 A$	100	101⅞	101⅞		6.60
Abbey Natl Tury 8 03 £	1000	100⅞	101⅛	+¼	7.81
British Land 3 £	150	94¾	95⅛	+⅛	9.63
Denmark 6¾	800	99¼	99½	-⅛	7.19
Depfa Finance 03 £	500	95½	96¾	+⅛	7.79
EIB 8 03 £	1000	102	102¼	+¼	7.59
Glaxo Wellcom 05 £	500	104	104¼	+⅛	8.11
Hanson Trust 1	550	109⅞	110⅛	+¼	8.43
HSBC Holdings 9 02 £	153	115⅝	115⅞	+⅛	8.14
Italy 10½ 14 £	400	119⅛	119⅝	+¾	8.37
Japan Dev Bk 7	200	99⅛	99½	-⅛	7.26
Land Secs 9½ 07	200	107⅜	107¾	+¾	8.40
Ontario 11⅛ 01 £	100	111⅞	112¼	+⅛	7.72
Powergen 8⅞ 03	250	103⅞	104⅛	+¼	8.06
Severn Trent 11½ 9	150	109⅛	109⅜		7.55
Tokyo Elec Power £	150	112	112⅜		7.75
TCNZ Fin 9¼ 02 NZ	75	109½	107½		7.76
World Bank 9 99 NZ	250	103⅛	103⅜	+¼	7.62
Credit Local 6 01 FFr	8000	104⅛	104⅜	+⅛	5.05
Denmark 5½ 99 FFr	7000	103⅜	103⅝		4.26
Elec de France 8¾ 22	3000	123¼	123¾	+¼	6.80

FLOATING RATE NOTES

	Issued	Bid	Offer	C.cpn
Abbey Natl Treasury	1000	99.95	100.01	5.5938
Bankamerica ⅛ 99	750	99.99	100.07	5.7500
Canada -¼ 99	2000	99.68	99.75	5.2500
CCCE 0 06 Ecu	200	99.63	99.83	4.2578
Commerzbk O/S Fin -⅛ 9	750	99.82	99.89	5.4062
Credit Lyonnais $\frac{1}{16}$ 00	300	98.12	98.59	5.9375
Dresdner Finance $\frac{1}{32}$ 98 D	1000	100.00	100.05	3.1602
Fed Nat Mort -$\frac{3}{16}$ 00	1000	99.73	99.85	5.4492
Finland -⅛ 99	1500	99.94	100.01	5.3750
Halifax BS 0 99	500	100.11	100.20	5.6582
IMI Bank Intl ¼ 99	500	100.45	100.53	5.7812
Italy $\frac{1}{16}$ 99	500	100.35	100.43	5.6938
Italy ⅛ 98 Ecu	00	100.22	100.31	4.3125
LKB Baden-Wuert Fin -⅛ 98	00	99.91	99.97	5.4375
Lloyds Bank Perp S 0.10	0	86.25	87.50	5.8295
Malaysia $\frac{1}{16}$ 05	0	99.84	99.97	5.6875
New Zealand -⅛ 99	0	99.96	100.02	5.4727
Nova Scotia $\frac{1}{16}$ 99	0	100.00	100.07	5.6875
Ontario 0 99		100.05	100.12	5.5000
Portugal $\frac{1}{16}$ 99 DM		100.32	100.38	3.1875
Quebec Hydro 0 99		99.73	99.83	5.5625
Renfe 0 98		99.80	99.92	5.4375
Spain -$\frac{1}{16}$ 02 DM	2	100.14	100.20	3.3477
State Bk Victoria 0.05 99		100.01	100.11	5.8469
Sweden -⅛ 01	2	99.93	100.00	5.3750
United Kingdom -⅛ 01	2	99.75	99.78	5.3750

CONVERTIBLE BONDS

	Issued	Conv. price	Bid	Offer	Prem.
Allied-Lyons 6¾ 08 £	200	5.04	97⅛	98⅝	+31.91
Gold Kalgoorlie 7½ 00	65	37	112	113½	-12.27
Grand Metropolitan 6½ 00	710	37	118¼	119¼	+5.31
Hanson America 2.39 01	420	49	87¼	88	
Hong Kong Land 4 01	410	5	88⅛	89	-11.64
Land Secs 6¾ 02 £	84	2	103¼	105¼	-4.43
Lasmo 7¾ 05 £	90	4	93¾	94¾	
MBL Intl Fin 3 02	2000	2	110¼	111¼	+4.24
Mitsui Bank 2⅝ 03	200	2	82¼	84¼	+50.90
Ogden 6 02	85	3	84	85	+84.61
Pennzoil 4¾ 03	500	58	115¾	116¾	+4.13
Sandoz Capital 2 02	750	130	113	113¾	+7.54
Sappi BVI Finance 7½ 02	250		93¼	94¼	
Sapporo 1⅜ 00	40000	10	102½	103½	+7.51
Sumitomo Bank 3⅛ 04	300	360	92⅛	93⅛	+44.44
Sun Alliance 7¼ 08 £	155		111⅛	112½	+18.35
Transatlantic Hldgs 5½ 09 £	250	5	87¼	88¼	+12.98

* No information available - previous day
‡ Only one market maker supplied a pric

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Data supplied by International Securities Market Association.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Shorts‡ (Lives up to Five Years)						
Treas 13¼pc 1997‡‡	13.09	6.25	101$\frac{1}{32}$	----	107$\frac{13}{16}$	100½
Exch 10½pc 1997	10.39	6.16	101$\frac{1}{16}$	-$\frac{1}{32}$	107$\frac{1}{16}$	100$\frac{1}{16}$
Treas Cnv 7pc 1997‡‡	6.98	6.43	100$\frac{11}{16}$	-$\frac{1}{32}$	101$\frac{13}{16}$	100$\frac{11}{32}$
Treas 8¾pc 1997‡‡	8.60	6.51	101$\frac{11}{16}$	----	107$\frac{13}{16}$	101$\frac{5}{16}$
Exch 15pc 1997	13.95	6.60	107$\frac{1}{2}$	-$\frac{1}{32}$	115$\frac{13}{16}$	102$\frac{11}{16}$
Exch 9¾pc 1998	9.44	6.73	103$\frac{9}{32}$	-$\frac{1}{32}$	106⅞	100$\frac{1}{16}$
Treas 7¼pc 1998‡‡	7.21	6.80	100$\frac{5}{16}$	-$\frac{1}{32}$	109$\frac{13}{16}$	100$\frac{1}{16}$
Treas 15½pc '98‡‡	13.51	6.99	114$\frac{11}{16}$	-$\frac{1}{16}$	123$\frac{1}{32}$	114½
Exch 12pc 1998	10.99	7.04	109$\frac{5}{32}$xd	----	114⅝	109
Treas 9½pc 1999‡‡	9.07	7.09	104$\frac{15}{16}$	----	108$\frac{3}{16}$	104$\frac{1}{16}$
Treas Flg Rate 1999	-	-	100	--	100$\frac{1}{16}$	99⅞
Exch 12¼pc 1999	11.03	7.02	111$\frac{1}{16}$	--	116$\frac{13}{16}$	110$\frac{9}{16}$
Treas 10½pc 1999	9.75	7.12	107$\frac{11}{32}$xd	-$\frac{1}{32}$	112$\frac{1}{16}$	107
Treas 6pc 1999‡‡	6.15	6.99	97$\frac{15}{32}$	+$\frac{1}{32}$	99¼	96
Conversion 10¼pc 1999	9.47	7.18	108$\frac{7}{32}$xd	+$\frac{1}{16}$	112$\frac{13}{16}$	107$\frac{13}{16}$
Conv 9pc 2000‡‡	8.54	7.13	105$\frac{13}{32}$	+$\frac{1}{32}$	108$\frac{11}{16}$	103$\frac{17}{32}$
Treas 13pc 2000	11.00	7.24	118$\frac{3}{16}$	+$\frac{1}{16}$	124$\frac{13}{16}$	117$\frac{13}{16}$
Treas 14pc 1998-1	12.71	6.91	110¼xd	-	117$\frac{1}{16}$	109$\frac{11}{16}$
Treas 8pc 2000‡‡	7.79	7.21	102$\frac{11}{16}$	+$\frac{1}{16}$	105$\frac{1}{16}$	101$\frac{3}{16}$
Treas Flg Rate 2001	5.69	-	99⅞		99⅞	99¼
Treas 10pc 2001	9.11	7.28	109$\frac{3}{4}$	+⅛	114	108$\frac{13}{16}$
Five to Fifteen Years						
Treas 7pc 2001‡‡	7.09	7.28	98$\frac{11}{16}$	+$\frac{1}{8}$	101$\frac{1}{16}$	95½
Treas 9¾pc 2002	8.80	7.41	110$\frac{13}{16}$	+$\frac{1}{4}$	114$\frac{5}{16}$	108$\frac{3}{4}$
Treas 8pc 2003‡‡	7.77	7.42	102$\frac{15}{16}$	+$\frac{11}{32}$	105$\frac{13}{32}$	99$\frac{15}{16}$
Treas 10pc 2003	8.83	7.47	113$\frac{5}{16}$	+$\frac{1}{3}$	117$\frac{1}{3}$	38
Treas 11½pc 2001-4	9.98	7.35	115$\frac{5}{16}$	+$\frac{3}{8}$	121⅝	114$\frac{3}{16}$
Funding 3½pc 1999-4	4.21	6.26	83$\frac{3}{16}$	+¼	84$\frac{11}{16}$	78¾
Conversion 9½pc 2004	8.51	7.53	111⅝	+$\frac{11}{32}$	114$\frac{3}{16}$	107$\frac{15}{16}$
Treas 6¾pc 2004‡‡	7.07	7.50	95$\frac{15}{32}$	+$\frac{1}{2}$	97$\frac{1}{16}$	91$\frac{1}{16}$
Conv 9½pc 2005	8.49	7.57	111$\frac{15}{32}$	+$\frac{13}{32}$	114$\frac{13}{16}$	108$\frac{1}{2}$
Treas 12½pc 2003-5	9.85	7.50	126⅞xd	+⅛	131⅛	123$\frac{3}{16}$
Treas 8½pc 2005‡‡	8.01	7.58	106$\frac{1}{16}$	+$\frac{11}{32}$	108$\frac{15}{16}$	101$\frac{3}{16}$
Treas 7½pc 2006‡‡	7.54	7.57	99$\frac{13}{16}$	+$\frac{11}{32}$	101$\frac{13}{16}$	94$\frac{11}{16}$
Treas 7¾pc 2006‡‡	7.67	7.60	101	+$\frac{13}{32}$	103¼	95$\frac{3}{16}$
Treas 8pc 2002-6‡‡	7.89	7.53	101⅛	+$\frac{1}{32}$	104$\frac{11}{16}$	97⅞
Treas 11¾pc 2003-7	9.73	7.48	120$\frac{13}{16}$	+$\frac{1}{32}$	125$\frac{3}{16}$	118$\frac{13}{16}$
Treas 8½pc 2007‡‡	8.00	7.63	106$\frac{3}{16}$	+$\frac{13}{32}$	108$\frac{13}{16}$	101$\frac{3}{16}$
Treas 9pc 2008‡‡	8.17	7.66	110$\frac{5}{32}$	+$\frac{13}{32}$	112$\frac{13}{16}$	103$\frac{13}{16}$
Treas 8pc 2009	7.90	7.71	101$\frac{1}{16}$	+$\frac{1}{32}$	104½	96$\frac{13}{32}$
Treas 6 1/4pc 2010‡‡	7.19	7.79	86$\frac{13}{32}$xd	+¼	88$\frac{3}{16}$	81¾
Conv 9pc Ln 2011‡‡	8.15	7.78	110$\frac{7}{16}$	+$\frac{1}{2}$	112$\frac{13}{16}$	104⅝
Over Fifteen Years						
Treas 9pc 2012‡‡	8.13	7.80	110$\frac{11}{16}$	+$\frac{15}{32}$	113$\frac{3}{16}$	104$\frac{13}{16}$
Treas 5½pc 2008-12‡‡	6.78	7.54	81$\frac{3}{16}$	+$\frac{1}{4}$	82¼	75$\frac{5}{16}$
Treas 8pc 2013‡‡	7.87	7.82	101$\frac{11}{16}$	+$\frac{15}{32}$	103$\frac{13}{32}$	9$\frac{3}{4}$
Treas 7¾pc 2012-15‡‡	7.85	7.81	98$\frac{13}{16}$	+$\frac{1}{2}$	101$\frac{13}{16}$	93$\frac{13}{16}$
Treas 8pc 2015‡‡	7.86	7.80	101$\frac{7}{8}$	+$\frac{15}{32}$	104$\frac{3}{16}$	95$\frac{11}{16}$
Treas 8¾pc 2017‡‡	8.03	7.85	108$\frac{15}{16}$	+$\frac{15}{32}$	111$\frac{5}{16}$	102½
Exch 12pc 2013-17	8.64	7.82	138$\frac{13}{16}$	+1$\frac{1}{8}$	141$\frac{13}{16}$	130$\frac{13}{16}$
Treas 8pc 2021‡‡	7.84	7.80	102	+$\frac{15}{32}$	103$\frac{5}{8}$	95$\frac{15}{16}$
Undated						
Consols 4pc	8.15	-	49$\frac{1}{16}$	+$\frac{3}{8}$	50$\frac{13}{16}$	46⅛
War Loan 3½pc‡‡	7.93	-	44$\frac{3}{16}$	+¼	45$\frac{3}{8}$	41$\frac{1}{16}$
Conv 3½pc '61 Aft	5.78	-	60$\frac{13}{16}$	+¼	62¼	58$\frac{3}{16}$
Treas 3pc '66 Aft	8.11	-	36$\frac{13}{16}$	+¼	38$\frac{1}{16}$	34$\frac{3}{16}$
Consols 2½pc	7.90	-	31$\frac{11}{16}$	+¼	33⅛	29⅝
Treas 2½pc	8.14	-	30$\frac{15}{16}$	+¼	32$\frac{1}{16}$	29⅛

Index-Linked	Notes	Yield (1)	Yield (2)	Price £	+ or –	52 week High	52 week Low
	(b)						
4⅝pc '98‡‡	(135.6)	0.70	2.49	113$\frac{13}{16}$	-$\frac{1}{16}$	114⅝	111$\frac{3}{16}$
2½pc '01	(78.3)	2.73	3.31	184$\frac{13}{16}$	+$\frac{3}{8}$	185$\frac{13}{16}$	176¼
2½pc '03	(78.8)	3.00	3.40	180$\frac{13}{16}$xd	+$\frac{3}{8}$	181¼	171$\frac{15}{16}$
4⅜pc '04‡‡	(135.6)	3.05	3.42	118	+$\frac{3}{8}$	118$\frac{13}{16}$	112$\frac{11}{16}$
2pc '06	(69.5)	3.23	3.49	190$\frac{1}{16}$	+$\frac{3}{8}$	191⅛	179$\frac{13}{16}$
2½pc '09	(78.8)	3.32	3.55	170$\frac{13}{16}$xd	+$\frac{13}{32}$	172	161$\frac{3}{16}$
2½pc '11	(74.6)	3.38	3.59	176¾	+$\frac{1}{2}$	177$\frac{13}{16}$	168$\frac{7}{16}$
2½pc '13	(89.2)	3.44	3.62	145$\frac{11}{16}$	+$\frac{15}{32}$	146$\frac{13}{16}$	138$\frac{7}{16}$
2½pc '16	(81.6)	3.45	3.66	154$\frac{11}{16}$	+$\frac{15}{32}$	155$\frac{13}{16}$	145$\frac{1}{16}$
2½pc '20	(83.0)	3.54	3.69	148$\frac{1}{16}$	+$\frac{1}{2}$	149$\frac{1}{16}$	138$\frac{13}{16}$
2½pc '24‡‡	(97.7)	3.55	3.68	122⅞	+$\frac{15}{32}$	124$\frac{13}{16}$	115$\frac{3}{16}$
4⅛pc '30‡‡	(135.1)	3.55	3.69	120$\frac{13}{16}$	+$\frac{15}{32}$	122$\frac{13}{16}$	113$\frac{11}{16}$

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.845. RPI for March 1996: 151.5 and for October 1996: 153.8.

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Asian Dev 10¼pc 2009	8.75	8.03	117$\frac{3}{16}$	——	120	111$\frac{13}{16}$
B'ham 11½pc 2012	9.16	8.55	125½xd	——	128	118½
Ireland Cap 8½pc '10	8.04	-	105¾	——	105¾	105¼
8pc Cap 1996	8.65	-	104	——	104	104
13pc '97-2	11.72	-	110⅞	——	110⅞	110⅞
Leeds 13½pc 2006	10.19	-	132½	——	136½	129
Liverpool 3½pc Irred	8.75	-	40	——	41	37½
LCC 3pc '20 Aft	8.82	-	34xd	——	36	32½
Manchester 11½pc 2007	9.39	8.33	122½	——	124½	117
Met. Wtr 3pc 'B'	3.75	6.85	80	——	80	72½
N'wide Anglia 3⅝pc 2021	-	4.30	142$\frac{1}{16}$	——	144$\frac{1}{16}$	133
4⅛pc IL 2024	-	4.42	136⅞	——	140⅝	130½
Utd Mex States 16½pc 2008	12.22	-	135	——	136½	120

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real Index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

CURRENCIES AND MONEY

US, Japan and Germany support strong dollar

MARKETS REPORT

By Simon Kuper

The dollar failed to gain yesterday even though policymakers in Washington, Tokyo and Frankfurt separately made comments supporting the currency.

The dollar was held back partly by weak US economic data that suggested the Federal Reserve would keep rates on hold, and by the market's suspicion that Japan still favours a weaker dollar.

Yesterday's main gainer was sterling, which touched fresh 30-month highs against the D-Mark and four-year highs against the dollar. The pound was boosted partly by the G3's support for the dollar, but more so by UK inflation figures that were much stronger than expected. The markets now expect a base rate hike next month.

The D-Mark gained brief support after Mr Ernst Welteke, Bundesbank council member, sparked fears that European monetary union might be delayed when he said that Germany and France might fail to meet the budget deficit criteria for Emu. Mr Hans Tietmeyer, the Bundesbank president, failed to surprise the markets by calling for a strong stability pact. Currency traders are used to the bank's hawkish stance on Emu.

The dollar rose a fifth of a pfennig against the D-Mark to close in London at DM1.5080 but fell a fifth of a yen against the Japanese currency, closing at Y111.4.

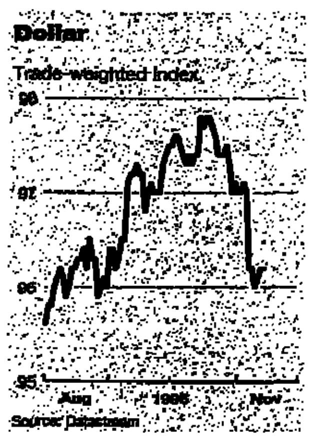
The Mark fell Y0.29 to Y73.78. Sterling jumped 1.9 pfennigs against the D-Mark and a cent against the dollar, ending the day at DM2.510 and $1.663.

■ Pound in New York

Nov 14	—Latest—	— Prev. close —
£ spot	1.6645	1.6600
1 mth	1.6635	1.6590
3 mth	1.6620	1.6564
1 yr	1.6449	1.6403

■ Japan, Germany and the US seem to disagree on how strong the dollar should be. Although officials from all three countries have made statements backing the US currency, their comments differed. Mr Jeffrey Shafer, the US Treasury under-secretary, had said on Wednesday that Washington's exchange rate policy was unchanged. "Our policy is to have a strong dollar," he said. But that is different to calling for a *stronger* dollar. Mr Shafer's statement was the first from Washington about the US currencies policy since President Clinton was reelected last week.

Later Mr Eisuke Sakakibara, head of the Japanese finance ministry's international finance bureau, repeated that Japan's exchange rate policy remained unchanged. This seemed to weaken his comment last week that Tokyo would not lead the yen much lower against the dollar. But that earlier statement, suggesting the yen was due a recovery, is still taken by most currency strategists to represent Japan's view.



Mr Tietmeyer said he welcomed the dollar's recent rise, adding: "I would not mind if it were to go a little further."

Currency strategists deduced that the policymakers of the three countries disagreed. Mr Jeremy Hawkins, chief economist at the Bank of America in London, said: "The US view seems to be mildly dollar positive; most of Europe wants to see a stronger dollar, but Japan certainly does not want to see a stronger dollar/yen."

Given the confusion and Washington's moderate stance, the dollar itself was unlikely to move much, strategists said. But if the Bundesbank wants a weaker D-Mark and Japan wants a stronger yen, then the yen should rise against the D-Mark. That indeed happened yesterday.

■ This week the currencies and money markets have grown much more confident that the UK will raise rates soon. Yesterday's strong inflation data merely reinforced their view.

Meanwhile, recent economic data from the US and Germany have suggested that rate rises there are further away than had been thought. Yesterday foreign exchange strategists even speculated that the next move in US and German rates might be downward.

So for the coming months sterling is expected to be the only high yielder among major currencies. For some periods UK interest rates are expected to be higher than Italian rates – a rare state of affairs.

But as Mr Hawkins said, if UK prices are indeed rising quickly, then in the longer term the pound will resume its inflation-induced slide of recent decades.

■ OTHER CURRENCIES

Nov 14	£	$
Czech Rp	44.7912 - 44.9481	26.9040 - 26.9540
Hungary	256.978 - 258.187	155.730 - 155.780
Iran	4981.40 - 4998.00	3000.00 - 3003.00
Kuwait	0.4992 - 0.4872	0.2994 - 0.2998
Poland	4.5730 - 4.5853	2.8100 - 2.8130
Russia	9118.57 - 9125.84	5482.00 - 5485.00
U.A.E.	6.1046 - 6.1128	3.6710 - 3.6740

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WORLD INTEREST RATES

MONEY RATES

November 14	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3	3¼	3¼	3¼	3½	6.00	2.50	-
week ago	3¼	3¼	3¼	3¼	3¼	6.00	2.50	-
France	3¼	3¼	3¼	3¼	3¾	3.20	-	4.75
week ago	3¼	3¼	3¼	3¾	3¾	3.20	-	4.75
Germany	3¼	3	3¾	3¼	3¼	4.50	2.50	3.00
week ago	3	3	3¼	3¼	3¼	4.50	2.50	3.00
Ireland	5½	5¾	5½	5½	5½	-	-	6.25
week ago	5¼	5¾	5½	5¾	5¾	-	-	6.25
Italy	7¾	7¾	7½	7¼	7¼	9.00	7.50	8.05
week ago	7¾	7¾	7½	7¼	7¼	9.00	7.50	8.05
Netherlands	2½	2½	2½	3¼	3½	-	3.00	3.30
week ago	2½	2½	2½	3	3¼	-	3.00	3.30
Switzerland	1¼	1½	1½	1½	1½	-	1.00	-
week ago	1½	1½	1½	1½	2¼	-	1.00	-
US	5¼	5¼	5½	5½	5⅝	-	5.00	-
week ago	5¼	5¼	5½	5½	5⅝	-	5.00	-
Japan	½	½	½	½	⅝	-	0.50	-
week ago	½	½	½	½	⅝	-	0.50	-
■ $ LIBOR FT London Interbank Fixing	-	5⅜	5½	5⅝	5⅝	-	-	-
week ago	-	5⅜	5½	5⅝	5⅝	-	-	-
US Dollar CDs	-	5.11	5.08	5.14	5.25	-	-	-
week ago	-	5.11	5.08	5.14	5.27	-	-	-
ECU Linked Ds	-	4⅛	4⅛	4⅛	4⅛	-	-	-
week ago	-	4⅛	4⅛	4⅛	4⅛	-	-	-
SDR Linked Ds	-	3¾	3¾	3¾	3¾	-	-	-
week ago	-	3¾	3¾	3¾	3¾	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 14	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3 1/32 - 2 31/32	3 1/32 - 2 29/32	3 1/32 - 2 31/32	3 1/32 - 3	3 1/16 - 3 1/16	3 3/32 - 3 3/32
Danish Krone	3½ - 3¼	3 23/32 - 3½	3⅝ - 3½	3¾ - 3⅝	3 27/32 - 3⅝	4 1/16 - 3 29/32
D-Mark	3 1/16 - 2 31/32	3 1/32 - 2 31/32	3 1/16 - 2 31/32	3 3/32 - 3 1/16	3¼ - 3⅛	3 13/32 - 3¼
Dutch Guilder	2 27/32 - 2 11/16	2⅞ - 2¾	2 29/32 - 2 27/32	3 - 2 29/32	3 1/16 - 3	3¼ - 3 3/16
French Franc	3⅜ - 3¼	3 11/32 - 3¼	3 13/32 - 3 5/16	3 7/16 - 3 11/32	3 17/32 - 3 7/16	3 23/32 - 3 17/32
Portuguese Esc.	6 29/32 - 6⅞	6 13/16 - 6 23/32	6 29/32 - 6⅞	6 13/16 - 6 23/32	6 11/16 - 6⅝	6 21/32 - 6 21/32
Spanish Peseta	7 3/16 - 6 15/16	6 29/32 - 6⅞	6 29/32 - 6 23/32	6 27/32 - 6 23/32	6 23/32 - 6 19/32	6 21/32 - 6 17/32
Sterling	5 13/16 - 5 11/16	5 13/16 - 5 11/16	6⅛ - 6 1/16	6 7/16 - 6 5/16	6⅝ - 6½	6 31/32 - 6 27/32
Swiss Franc	1⅝ - 1½	1 13/16 - 1 9/16	1 13/16 - 1 11/16	1⅞ - 1¾	1⅞ - 1¾	2 - 1⅞
Can. Dollar	3⅜ - 3 3/16	3 1/16 - 2⅞	3 3/16 - 3 1/16	3 3/16 - 2 31/32	3 3/16 - 3 1/16	3 13/32 - 3 11/32
US Dollar	5¼ - 5	5¼ - 5	5⅜ - 5 3/16	5½ - 5¼	5 9/16 - 5 7/16	5 23/32 - 5½
Italian Lira	8⅜ - 7½	8¼ - 8	7 15/16 - 7 25/32	7 5/16 - 7 7/16	7 9/16 - 7 7/16	6 29/32 - 6 27/32
Yen	9/16 - 7/16	7/16 - 5/16	17/32 - 13/32	15/32 - 11/32	15/32 - 13/32	⅝ - ½
Asian $Sing	3½ - 3⅜	3 5/16 - 3 3/16	3 5/16 - 3 3/16	3⅜ - 3¼	3 7/16 - 3 5/16	3½ - 3⅜

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF)Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.45	96.46	+0.01	96.48	96.45	9,906	44,014
Mar	96.40	96.41	+0.01	96.43	96.39	8,242	56,691
Jun	96.34	96.37	+0.03	96.38	96.34	2,848	29,914

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.80	96.81	+0.01	96.81	96.79	19264	204866
Mar	96.80	96.83	+0.02	96.84	96.79	31378	187792
Jun	96.68	96.73	+0.04	96.74	96.66	41610	171576
Sep	96.50	96.55	+0.04	96.56	96.47	38019	141623

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	92.77	92.81	+0.04	92.85	92.75	10660	69193
Mar	93.42	93.49	+0.05	93.53	93.42	19752	66234
Jun	93.74	93.80	+0.06	93.85	93.74	6249	39763
Sep	93.85	93.94	+0.08	93.98	93.85	3276	23071

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	97.99	98.00	-0.03	98.04	97.95	5699	29854
Mar	97.98	97.96	-0.04	98.01	97.93	6978	34925
Jun	97.78	97.78	-0.03	97.80	97.75	1406	16859
Sep	97.56	97.54	-0.03	97.58	97.54	330	6575

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99.45	99.44	-0.01	99.45	99.45	200	na
Mar	99.35	99.35	-0.03	99.35	99.35	200	na
Jun	99.17	99.18	-0.04	99.18	99.17	1355	na

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.82	95.83	+0.01	95.85	95.82	669	7899
Mar	95.83	95.84	+0.02	95.85	95.81	576	6050
Jun	95.80	95.82	+0.04	95.83	95.77	278	3351
Sep	95.70	95.73	+0.03	95.73	95.70	68	3122

* LIFFE futures also traded on APT

POUND SPOT FORWARD AGAINST THE POUND

Nov 14	Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe												
Austria (Sch)	17.6674	+0.1391	[illegible] - 757	17.6910	17.5713	17.6239	3.0	17.5674	2.3	-	-	104.8
Belgium (BFr)	51.7359	+0.3875	[illegible] - 858	51.7940	51.4540	51.6109	2.9	51.3459	3.0	50.1509	3.1	105.8
Denmark (DKr)	9.6423	+0.0707	[illegible] - 467	9.6487	9.5689	9.6224	2.5	9.5818	2.5	9.4029	2.5	107.2
Finland (FM)	7.5540	+0.0542	[illegible] - 600	7.5650	7.5290	-	-	-	-	-	-	84.5
France (FFr)	8.4844	+0.063	[illegible] - 874	8.4898	8.4393	8.4654	2.7	8.4266	2.7	8.2481	2.6	108.7
Germany (DM)	2.5106	+0.0196	[illegible] - 117	2.5147	2.4993	2.5045	2.9	2.4917	3.0	2.4353	3.0	107.8
Greece (Dr)	396.180	+3.016	[illegible] - 417	396.825	390.893	-	-	-	-	-	-	67.3
Ireland (I£)	1.0008	+0.0022	[illegible] - 009	1.0008	0.9970	1	0.4	0.999	0.5	0.9924	0.8	101.3
Italy (L)	2524.38	+17.[illegible]	[illegible] - 615	2528.18	2512.50	2528.18	-1.8	2535.58	-1.8	2540.18	-0.6	76.7
Luxembourg (LFr)	51.7359	+0.3875	[illegible] - 858	51.7940	51.4540	51.6109	2.9	51.3459	3.0	50.1509	3.1	105.8
Netherlands (Fl)	2.8155	+0.0220	[illegible] - 166	2.8188	2.8002	2.8093	2.6	2.7933	3.2	2.7288	3.1	105.8
Norway (NKr)	10.5278	+0.079	[illegible] - 334	10.5868	10.4595	10.5153	1.4	10.4953	1.2	10.3808	1.3	99.9
Portugal (Es)	253.727	+1.8[illegible]	[illegible] - 920	254.001	252.761	253.992	-0.9	254.292	-0.9	-	-	95.7
Spain (Pta)	211.285	+1.5[illegible]	[illegible] - 369	211.550	210.247	211.45	-0.8	211.68	-0.2	211.88	-0.2	80.0
Sweden (SKr)	11.0297	+0.0[illegible]	[illegible] - 380	11.0531	10.9917	11.0285	0.1	11.0259	0.1	11.0135	0.1	89.0
Switzerland (SFr)	2.1196	+0.0[illegible]	[illegible] - 208	2.1223	2.1089	2.112	4.5	2.097	4.3	2.0303	4.2	107.5
UK (£)	-	-	-	-	-	-	-	-	-	-	-	91.9
Ecu	1.3081	+0.0[illegible]	074 - 088	1.3096	1.3019	1.3082	1.6	1.3017	1.9	1.2803	2.1	-
SDR†	1.135070	-	-	-	-	-	-	-	-	-	-	-
Americas												
Argentina (Peso)	1.6631	+0.0[illegible]	627 - 635	1.6664	1.6587	-	-	-	-	-	-	-
Brazil (R$)	1.7136	+0.0[illegible]	132 - 145	1.7169	1.7094	-	-	-	-	-	-	-
Canada (C$)	2.2296	+0.0[illegible]	184 - 203	2.2344	2.2133	2.2142	2.8	2.2034	2.9	2.1444	3.4	86.3
Mexico (New Peso)	13.1658	+0.0[illegible]	743 - 973	13.2015	13.1444	-	-	-	-	-	-	-
USA ($)	1.6634	+0.0102	630 - 638	1.6667	1.6590	1.6623	0.6	1.6598	0.9	1.643	1.2	96.2
Pacific/Middle East/Africa												
Australia (A$)	2.1015	+0.0034	003 - 026	2.1086	2.1003	2.1029	-0.7	2.1035	-0.4	2.1031	-0.1	93.0
Hong Kong (HK$)	12.8614	+0.0782	575 - 653	12.8866	12.8279	12.8541	0.7	12.8402	0.7	12.7758	0.7	-
India (Rs)	59.5498	+0.4478	029 - 966	59.8160	59.2028	-	-	-	-	-	-	-
Israel (Shk)	5.3699	+0.0414	658 - 939	5.3936	5.3667	-	-	-	-	-	-	-
Japan (Y)	185.34[illegible]	+0.715	143 - 347	186.445	185.010	184.555	5.8	182.495	5.9	174.485	5.8	130.2
Malaysia (M$)	4.2027	+0.0284	007 - 039	4.2101	4.1906	-	-	-	-	-	-	-
New Zealand (NZ$)	2.335[illegible]	+0.0061	334 - 368	2.3427	2.3294	2.3418	-3.5	2.3513	-2.8	2.3721	-1.6	111.7
Philippines (Peso)	43.705[illegible]	+0.268	205 - 912	43.7912	43.8205	-	-	-	-	-	-	-
Saudi Arabia (SR)	6.23[illegible]	+0.0381	367 - 402	6.2506	6.2229	-	-	-	-	-	-	-
Singapore (S$)	2.33[illegible]	+0.0132	290 - 318	2.3349	2.3259	-	-	-	-	-	-	-
South Africa (R)	7.80[illegible]	+0.0511	945 - 065	7.8234	7.7802	-	-	-	-	-	-	-
South Korea (Won)	1378[illegible]	+8.29	829 - 946	1381.36	1375.56	-	-	-	-	-	-	-
Taiwan (T$)	45.[illegible]5	+0.2805	992 - 878	45.8293	45.6225	-	-	-	-	-	-	-
Thailand (Bt)	42.[illegible]9	+0.2777	084 - 454	42.4180	42.2270	-	-	-	-	-	-	-

† Rates for Nov 13. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 14	Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe												
Austria (Sch)	10.6213	+0.0186	188 - 237	10.6380	10.5830	10.6068	1.7	10.5613	2.3	10.3663	2.4	104.8
Belgium (BFr)	31.1025	+0.0425	800 - 250	31.1450	30.9950	31.0425	2.3	30.915	2.4	30.375	2.3	105.7
Denmark (DKr)	5.7968	+0.007	955 - 980	5.8017	5.7744	5.7878	1.8	5.7665	1.9	5.6878	1.8	106.8
Finland (FM)	4.5413	+0.0048	388 - 438	4.5487	4.5265	4.5325	2.3	4.5137	2.4	4.4313	2.4	84.0
France (FFr)	5.1006	+0.0085	000 - 012	5.1074	5.0820	5.0922	2.0	5.0743	2.1	4.9986	2.0	108.5
Germany (DM)	1.5093	+0.0025	090 - 095	1.5117	1.5040	1.5064	2.3	1.5005	2.3	1.4757	2.2	107.8
Greece (Dr)	238.175	+0.355	090 - 260	238.620	234.990	239.73	-7.8	242.3	-6.9	253.325	-6.4	67.0
Ireland (I£)	1.6620	+0.0064	623 - 635	1.6678	1.6515	1.6624	0.3	1.6621	0.2	1.6592	0.2	-
Italy (L)	1517.60	+0.97	[illegible] - 690	1519.75	1513.00	1520.77	-2.5	1527.2	-2.5	1540.25	-1.5	76.4
Luxembourg (LFr)	31.1025	+0.0425	800 - 250	31.1450	30.9950	31.0425	2.3	30.915	2.4	30.375	2.3	105.7
Netherlands (Fl)	1.6926	+0.0018	923 - 929	1.6950	1.6867	1.6893	2.7	1.6808	2.8	1.6453	2.8	105.7
Norway (NKr)	6.3291	+0.0068	272 - 309	6.3380	6.2995	6.3254	0.7	6.3197	0.6	6.2941	0.6	99.5
Portugal (Es)	152.535	+0.17	510 - 560	152.700	152.050	152.74	-1.8	153.035	-1.3	153.81	-0.8	96.0
Spain (Pta)	127.020	+0.155	000 - 040	127.210	126.650	127.2	-1.7	127.46	-1.4	128.125	-0.9	80.0
Sweden (SKr)	6.6308	-0.0097	274 - 342	6.6508	6.6080	6.626	0.5	6.6181	0.8	6.5708	0.9	88.3
Switzerland (SFr)	1.2743	+0.0051	738 - 747	1.2762	1.2693	1.2705	3.6	1.2627	3.7	1.2298	3.5	107.4
UK (£)	1.6634	+0.0102	630 - 638	1.6667	1.6590	1.6623	0.9	1.6598	0.9	1.643	1.2	91.0
Ecu	1.2716	-0.0004	712 - 720	1.2752	1.2700	1.273	-1.3	1.2781	-1.4	1.2927	-1.7	-
SDR†	0.687172	-	-	-	-	-	-	-	-	-	-	-
Americas												
Argentina (Peso)	0.9998	-	998 - 998	0.9999	0.9998	-	-	-	-	-	-	-
Brazil (R$)	1.0304	+0.0004	302 - 305	1.0306	1.0302	-	-	-	-	-	-	-
Canada (C$)	1.3343	+0.0013	340 - 345	1.3361	1.3339	1.3319	2.1	1.3269	2.2	1.2994	2.6	85.7
Mexico (New Peso)	7.9270	+0.0055	220 - 320	7.9320	7.9170	8.045	-17.9	8.3115	-19.4	9.172	-15.7	-
USA ($)	-	-	-	-	-	-	-	-	-	-	-	97.0
Pacific/Middle East/Africa												
Australia (A$)	1.2633	-0.0058	629 - 637	1.2684	1.2629	1.2648	-1.4	1.2687	-1.1	1.2722	-0.7	94.3
Hong Kong (HK$)	7.7320	-0.0003	315 - 325	7.7325	7.7315	7.7319	0.0	7.7326	0.0	7.7435	-0.1	-
India (Rs)	35.8000	+0.05	000 - 000	36.0000	35.8000	36.015	-7.2	36.475	-7.5	-	-	-
Israel (Shk)	3.2403	+0.0051	389 - 419	3.2419	3.2223	-	-	-	-	-	-	-
Japan (Y)	111.365	+1.255	330 - 400	111.950	111.200	110.89	5.1	109.885	5.3	105.665	5.1	130.5
Malaysia (M$)	2.5264	+0.0016	260 - 267	2.5268	2.5245	2.5263	-1.4	2.5347	-1.3	2.5559	-1.2	-
New Zealand (NZ$)	1.4038	-0.0038	031 - 045	1.4045	1.4031	1.4093	-4.7	1.4136	-2.8	1.4451	-2.9	-
Philippines (Peso)	26.2750	-	300 - 200	26.3200	26.2300	-	-	-	-	-	-	-
Saudi Arabia (SR)	3.7505	-	503 - 506	3.7506	3.7503	3.7506	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore (S$)	1.4010	-0.0007	005 - 015	1.4020	1.4005	1.3988	1.8	1.3942	1.9	1.373	2.0	-
South Africa (R)	4.6895	+0.002	870 - 920	4.7000	4.6800	4.7302	-10.4	4.8052	-9.9	5.12	-9.2	-
South Korea (Won)	828.950	-0.1	800 - 100	830.500	828.600	-	-	-	-	-	-	-
Taiwan (T$)	27.5000	-	800 - 200	27.5200	27.4800	27.5001	0.0	27.5003	0.0	-	-	-
Thailand (Bt)	25.4460	+0.011	410 - 510	25.4550	25.4360	25.536	-4.2	25.7035	-4.0	26.341	-3.5	-

† SDR rate per $ for Nov 13. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 13: Base average 1990=100.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 14		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.64	16.40	4.852	1.933	4879	5.444	20.36	490.4	408.5	21.32	4.098	1.933	4.290	3.215	358.0	2.529
Denmark	(DKr)	53.65	10	8.798	2.603	1.037	2618	2.921	10.92	263.1	219.1	11.44	2.198	1.037	2.301	1.725	192.1	1.357
France	(FFr)	60.97	11.36	10	2.959	1.179	2975	3.319	12.41	299.0	249.1	13.00	2.498	1.179	2.616	1.960	218.3	1.542
Germany	(DM)	20.61	3.841	3.380	1	0.398	1006	1.122	4.195	101.1	84.18	4.394	0.844	0.398	0.884	0.663	73.78	0.521
Ireland	(I£)	51.73	9.642	8.484	2.510	1	2524	2.816	10.53	253.7	211.3	11.03	2.119	1.000	2.219	1.663	185.2	1.308
Italy	(L)	2.050	0.382	0.336	0.099	0.040	100.	0.112	0.417	10.05	8.372	0.437	0.084	0.040	0.088	0.066	7.338	0.052
Netherlands	(Fl)	18.37	3.424	3.013	0.891	0.355	896.3	1	3.739	90.09	75.04	3.917	0.752	0.355	0.788	0.591	65.77	0.464
Norway	(NKr)	49.13	9.157	8.057	2.384	0.950	2397	2.674	10	240.9	200.7	10.47	2.012	0.950	2.107	1.579	175.9	1.242
Portugal	(Es)	20.39	3.801	3.344	0.989	0.394	994.9	1.110	4.151	100.	83.29	4.348	0.835	0.394	0.875	0.655	73.00	0.516
Spain	(Pta)	24.48	4.563	4.015	1.188	0.473	1195	1.333	4.983	120.1	100.	5.220	1.003	0.473	1.050	0.787	87.65	0.619
Sweden	(SKr)	46.90	8.742	7.692	2.276	0.907	2288	2.553	9.547	230.0	191.6	10	1.921	0.907	2.012	1.508	167.9	1.186
Switzerland	(SFr)	24.41	4.550	4.004	1.185	0.472	1191	1.329	4.969	119.7	99.72	5.205	1	0.472	1.047	0.785	87.40	0.617
UK	(£)	51.73	9.642	8.484	2.510	1.000	2524	2.816	10.53	253.7	211.3	11.03	2.119	1	2.219	1.663	185.2	1.308
Canada	(C$)	23.31	4.345	3.823	1.131	0.451	1137	1.269	4.745	114.3	95.22	4.971	0.955	0.451	1	0.749	83.46	0.589
US	($)	31.11	5.798	5.102	1.509	0.601	1518	1.693	6.332	152.6	127.1	6.633	1.274	0.601	1.334	1	111.4	0.787
Japan	(Y)	27.93	5.208	4.581	1.355	0.540	1363	1.521	5.686	137.0	114.1	5.956	1.144	0.540	1.198	0.898	100.	0.706
Ecu		39.55	7.372	6.486	1.919	0.765	1930	2.153	8.050	194.0	161.5	8.433	1.620	0.765	1.696	1.271	141.6	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	[illegible]6851	0.6634	-0.0020	0.6662	0.6633	14,604	61,879
Mar	[illegible]6694	0.6674	-0.0019	0.6694	0.6673	559	5,591
Jun	-	0.6732	-	-	-	199	2,671

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8995	0.9025	+0.0034	0.9025	0.8970	15,114	65,395
Mar	0.9097	0.9133	+0.0028	0.9133	0.9097	599	3,604
Jun	-	0.9219	-	-	-	5	776

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7907	0.7877	-0.0032	0.7920	0.7866	10,157	46,803
Mar	0.7967	0.7940	-0.0036	0.7974	0.7934	152	3,621
Jun	-	0.8010	-0.0036	-	0.8010	1	664

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6594	1.6638	+0.0048	1.6656	1.6590	11,685	60,819
Mar	1.6616	1.6590	+0.0038	1.6616	1.6590	173	1,143
Jun	-	1.6540	+0.0036	1.6560	-	45	204

UK INTEREST RATES

LONDON MONEY RATES

Nov 14	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅜ - 5	6 - 5¾	6 3/16 - 6 1/16	6 7/16 - 6 5/16	6 11/16 - 6 9/16	7 1/16 - 6 15/16
Sterling CDs	-	-	6 3/32 - 6 1/32	6 13/32 - 6 9/32	6 21/32 - 6 19/32	6 29/32 - 6 27/32
Treasury Bills	-	-	5 29/32 - 5⅞	6 11/32 - 5 31/32	-	-
Bank Bills	-	-	5 31/32 - 5⅞	6 5/16 - 6⅛	6⅜ - 6 5/16	-
Local authority deps.	6⅜ - 6	6 - 5¾	6 1/16 - 6	6⅜ - 6 1/16	6 9/16 - 6 5/16	6 9/16 - 6 7/16
Discount Market deps	6¼ - 5½	5 15/16 - 5 13/16	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc. Ave. tender rate of discount on Nov 8, 5.9069pc. ECGD fixed rate Stlg. Export Finance. Make up day Oct 31, 1996. Agreed rate for period Nov 26, 1996 to Dec 24, 1996, Scheme III 7.25pc. Reference rate for period Oct 1, 1996 to Oct 31, 1996, Schemes IV & V 6.001pc. Finance House Base Rate 6pc from Nov 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.54	93.51	-0.04	93.55	93.46	27571	102384
Mar	93.24	93.23	-0.02	93.26	93.13	38337	113611
Jun	92.92	92.91	-0.02	92.93	92.80	33895	99220
Sep	92.67	92.68	-0.01	92.70	92.55	18153	60286
Dec	92.50	92.53	+0.01	92.54	92.36	8037	46447

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9350	0.10	0.08	0.08	0.09	0.35	0.68
9375	0.01	0.02	0.04	0.25	0.54	0.88
9400	0	0.01	0.02	0.49	0.78	1.11

Est. vol. total, Calls 5544 Puts 6170. Previous day's open int., Calls 191025 Puts 152912

EMS EUROPEAN CURRENCY UNIT RATES

Nov 14	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.792214	0.769175	-0.002658	-2.91	4.84	20
Portugal	195.792	195.052	+0.052	-0.38	2.18	3
Spain	162.493	162.381	+0.102	-0.07	1.86	0
Finland	5.80661	5.81031	+0.00432	0.06	1.73	-0
Netherlands	2.15214	2.16384	+0.00192	0.54	1.24	-4
Belgium	39.3960	39.7561	+0.0375	0.91	0.87	-7
Germany	1.91007	1.92951	+0.0019	1.02	0.76	-10
Austria	13.4383	13.5783	+0.0148	1.04	0.74	-8
Denmark	7.28580	7.40671	+0.00621	1.66	0.13	-11
France	6.40608	6.52075	+0.00324	1.79	0.00	-15
NON. ERM MEMBERS						
Greece	292.867	304.404	-0.024	3.94	-2.07	-
Italy	2106.15	1943.36	+1.57	-7.73	10.32	-
UK	0.786652	0.769406	-0.004527	-2.19	4.07	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	PUTS Nov	PUTS Dec	PUTS Jan
1.620	-	-	4.60	0.08	0.34	0.80
1.630	-	3.42	-	0.10	0.56	1.08
1.640	1.98	2.71	3.23	0.15	0.84	1.42
1.650	1.14	2.13	2.64	0.30	1.21	1.83
1.660	0.61	1.59	2.19	0.65	1.69	2.32

Previous day's vol., Calls 7,734 Puts 8,534 . Prev. day's open int., Calls 166,929 Puts 160,645

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.49	94.50	+0.01	94.50	94.48	51,855	453,801
Mar	94.47	94.47	+0.01	94.48	94.45	85,497	387,435
Jun	94.39	94.38	-	94.40	94.36	67,189	295,331

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.99	94.99	-0.01	94.99	94.99	570	2,877
Mar	94.95	94.95	-	94.95	94.95	253	2,732
Jun	-	94.86	-	-	-	20	1,530

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
9675	0.07	0.08	0.12	0.16	0.01	0.02	0.04	0.08
9700	0	0	0.02	0.05	0.19	0.19	0.19	0.22
9725	0	0	0	0.01	0.44	0.44	0.42	0.43

Est. vol. total, Calls 25219 Puts 8493. Previous day's open int., Calls 483100 Puts 391182

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9825	0.04	0.12	0.13	0.29	0.41	0.60
9850	0.01	0.04	0.06	0.51	0.58	0.78

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 4338 Puts 2150

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9275	0.16	0.80	1.13	0.10	0.06	0.08
9300	0.05	0.58	0.92	0.24	0.09	0.12
9325	0.01	0.40	0.73	0.45	0.16	0.18

Est. vol. total, Calls 2294 Puts 1983. Previous day's open int., Calls 125941 Puts 80942

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Cyprus Popular Bank	6.00	NatWestminster	6.00
Allied Irish Bank (GB)	6.00	Duncan Lawrie	6.00	●Rea Brothers	6.00
Allied Trust Bank	6.00	Exeter Bank Limited	7.00	Royal Bk of Scotland	6.00
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00	●Singer & Friedlander	6.00
Bank of Baroda	6.00	●Robert Fleming & Co	6.00	●Smith & Williamson Secs	6.00
Banco Bilbao Vizcaya	6.00	Girobank	5.75	Scottish Widows Bank	6.00
Bank of Cyprus	6.00	●Guinness Mahon	6.00	TSB	6.00
Bank of Ireland	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of India	6.00	●Hambros Bank	6.00	Unity Trust Bank Plc	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Barclays Bank	6.00	●Hill Samuel	6.00	Whiteaway Laidlaw	6.00
Brit Bk of Mid East	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
●Brown Shipley & Co Ltd	6.00	Hongkong & Shanghai	6.00		
Citibank NA	6.00	Julian Hodge Bank	6.00		
Clydesdale Bank	6.00	●Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	5.75		
Credit Lyonnais	6.00	*Mount Credit Corp	6.25		

● Members of London Investment Banking Association

* In administration

COMMODITIES AND AGRICULTURE

Arguments continue on copper stock levels

By Kenneth Gooding, Mining Correspondent

Arguments continued in the copper market yesterday over the World Bureau of Metal Statistics' suggestion that there might be substantial stocks of the metal in Rotterdam not reported in any official statistics.

On Wednesday, the WBMS said its statistical studies of copper flows to and from the Netherlands in 1990-95 showed unreported copper stocks might be more than 500,000 tonnes.

This idea found very little credibility among traders and analysts. Mr Larry Kaplan, analyst at Flemings Global Mining Group, said, for example: "Although there is undoubtedly a fair volume of copper sloshing around the world which is not reflected in LME warehouses, we do not for a moment believe that a massive hoard is sitting in Rotterdam. We talked to some of the major freight forwarders involved in Rotterdam metals activity, who report very low stocks of copper being warehoused there."

Mr Wiktor Bielski, analyst at Bain Securities, part of Deutsche Morgan Grenfell, said the idea of huge stocks in Rotterdam was "ludicrous. The probable explanation for what is essentially a statistical discrepancy, is that, following the creation of the single European market in 1992 and the collapse of intra-EU trade statistics, the material has been moved to other parts of Europe and steadily absorbed."

Mr Bielski was among those who pointed out that physical copper had been in short supply several times in the past five years and it made no sense to hold on to stocks when big premiums were being paid for metal for immediate delivery.

LME copper stocks at present are at their lowest level for six years and yesterday the premium for cash copper compared with metal for delivery in three months reached $82 a tonne.

Nevertheless, Mr Peter Hollands of the Bloomsbury Minerals specialist copper consultancy, insisted: "There is copper disappearing off the LME and it clearly is not going into consumption."

Mr David King, LME chief executive, said it only had the capacity to report faithfully details of stocks of metal held in warehouse facilities approved by it.

"It cannot be expected to monitor the world's stocks of metal, much of which is not deliverable into approved LME warehouses as it is not of an appropriate grade and is therefore far less relevant to the market," he said.

"Additionally, there is no mechanism anywhere in the world which can accurately track metal held by producers, processors or consumers as part of their stock everywhere in the world all the time. This is one of the reasons why stocks held by LME facilities and reported by the LME are so important – they represent one of the most accurate, reliable and most transparent pieces of information in the whole copper supply-demand jigsaw."

While the market yesterday quickly recovered from nervousness about possible "hidden" stocks, in late trading it had a different reason to worry. For most of the day traders had been predicting LME copper stocks would show a further fall when the exchange reported on them today. In late trading there was talk that they might rise instead and this caused some selling. Copper for delivery in three months was at $2,032 a tonne in late trading, down $28.

David King: said LME could not be expected to monitor stocks of metal not deliverable into approved warehouses

Concern over composition of LME board

By Deborah Hargreaves in London and Laurie Morse in Chicago

The Securities and Investment Board said that it had received 93 responses to its questionnaire about regulatory reform of the London Metal Exchange.

The watchdog, which sent out 3,500 questionnaires after the Sumitomo copper scandal, said 26 per cent of replies came from manufacturers; 25 per cent from broker-dealers, including investment banks; 10 per cent from producers; 10 per cent from refiners; and 6.5 per cent from trade associations.

Almost all respondents raised concerns about the governance of the exchange – in particular about the composition of the LME board, which is made up of broker members. The SIB is taking a separate look at exchange governance.

Most felt more information on large positions in the market should be disclosed – but differed on whether the information should go to regulators or the entire market.

Around 30 per cent of replies from physical users expressed concern about whether prices published broadly represented business done. But 80 per cent of intermediaries believed prices were representative.

Many respondents were concerned about market manipulation as well as the transparency of business conducted on the over-the-counter market. But it is very difficult to prove market manipulation and, similarly, almost impossible to impose regulations on the OTC market which could just force business offshore.

The LME received an almost overwhelming endorsement for its system of non-cash clearing, under which losses can be carried forward indefinitely and margins, or position guarantees, can be paid with credit, rather than cash. This is the issue on which the exchange says it is least willing to negotiate. Most respondents were in favour of it and against circuit breakers to calm price volatility.

Two-thirds of users felt price volatility had increased recently, but only a third were concerned about it.

Many respondents called for an overhaul of the LME's warehousing system, with more delivery points for physical metal introduced and a cut in delivery delays.

The SIB said it would hold regular discussions with the LME on the report, which is due to be completed in December, over the next few weeks. The LME intends to make an announcement on reforms before the year-end.

Meanwhile, the Futures Industry Association, a US-based international trade group that represents firms dealing in futures on exchanges around the world, said its response to the SIB had called for fundamental changes in LME rules.

The FIA – whose members includes many companies that are LME ring dealers or associate broker clearing members – was one of the few respondents to ask for prohibition of the non-cash clearing system, which is not used in the US. Instead, it said, loan transactions, with formal credit approvals, should occur between customers and firms.

It also said LME rules allowing firms to mix customer money with house accounts if the customer is extended credit are a danger to all customer accounts in the event of a default.

Mr John Damgard, FIA president, said its recommendations were consistent with the conclusions of its task-force on global integrity, which were issued after the 1995 collapse of Barings.

Brent off highs in New York trading

MARKETS REPORT

By Deborah Hargreaves

New York traders pulled oil prices lower yesterday, after a strong start following a surge in prices late on Wednesday.

Some profit-taking pushed the price of North Sea Brent crude for January delivery down to $23.40 a barrel, virtually unchanged on Wednesday's close, after it had risen to $23.60 in morning trading.

Prices for distillate products such as jet fuel and gasoline on the Rotterdam market pushed ahead, after stock figures from the American Petroleum Institute released late on Wednesday showed a fall in product stocks of 827,000 to 117m barrels.

Traders had expected a rise in stocks of between 500,000 and 1m barrels, but on Wednesday oil prices had surged ahead in anticipation of bearish stock figures.

Jet fuel was up $5 a tonne in late trading to $253 a tonne. The International Petroleum Exchange's gas oil futures contract was up $3.50 to $219.50 a tonne.

"There is no doubt the markets are highly sensitive to these low stock figures and the onset of colder weather," said Mr Ken Miller, oil analyst at Purvin and Gertz, the Houston-based consulting group.

But Mr Miller believes actual stocks are much higher than they appear from the primary figures. He believes consumers have been scared by rising prices and have stored much of their own fuel – a fact that would not show up in official figures.

"Consumers probably have a lot more in store than would be probable at this time of year," he said.

COMMODITIES NEWS DIGEST

Cuban cane fields overcome storm

Cuba's sugar cane fields have recovered from the battering they received from Hurricane Lili, and the government is confident the harvest will be higher than last year's 4.5m tonnes. "The conditions are there for a good harvest," said Mr Nelson Torres, sugar minister.

Cuba had feared Hurricane Lili had caused serious damage when it struck last month but Mr Torres said worries about the cane fields in west and central Cuba had proved unfounded. Flooded fields had been drained and much of the cane blown flat had recovered in the dry, sunny weather that followed the hurricane.

Work to repair sugar mills was continuing and Mr Torres said a first group of 50 of Cuba's 156 mills would start the 1996–97 harvest in December. While predicting a larger crop, he said the size of the increase would not be as great as in the 1995–96 season when the island beat its 1994–95 harvest of 3.3 tonnes by more than 1.1m tonnes.

Pascal Fletcher, Havana

Evander in gold mines index

Evander Gold Mines, the South African group formed from a merger of four companies managed by Gencor, is to be included in the Financial Times Gold Mines Index from Monday, when it will be listed for the first time on the Johannesburg and London stock exchanges.

Gencor merged the four companies – Kinross acquired the operations and assets of Winkelhaak, Leslie and Bracken and then changed its name – to create a gold investment vehicle with enhanced financial strength and improved market liquidity and capable of producing 700,000 troy ounces of gold year.

Gencor, which owns 42.4 per cent of Evander, also parcelled up some mineral rights for the newcomer to provide "blue sky" potential.

The scheme was welcomed by the investment community. Mr Julian Baring at Mercury Asset Management, which manages the UK's biggest gold fund, said: "We applaud this move and believe it is a huge step in the right direction. The merger should allow the new company to access ore reserves using internally generated cash-flows in a tax-efficient fasion." *Kenneth Gooding*

Krakatau buys SASE stake

Krakatau Steel, the Indonesian state steel company, has agreed to invest $7.5m in the South Australian Steel and Energy project, in return for a 15 per cent stake. SASE is looking at a possible US$500m development of iron ore and coal deposits in the north of the state, about 100km from Coober Pedy.

Maritosa Coalindo, another privately-held Indonesian company, will inject a similar sum and will also hold a 15 per cent equity interest in the project. The existing Australian partners will be diluted so that Meekatharra Minerals and Ausmelt – both of which are listed – hold 28 per cent each, and the South Australian government's interest stays at 14 per cent. The new funds will be used to finance a demonstration pig iron plant.

Nikki Tait, Sydney

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1408-09	1433.5-34.0
Previous	1421.5-22.5	1446-47
High/low		1436/1429
AM Official	1406-07	1432-32.5
Kerb close		1428-29
Open int.	236,581	
Total daily turnover	48,313	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1265-75	1295-300
Previous	1275-85	1305-10
High/low		1300/1292
AM Official	1262-67	1292-95
Kerb close		1295-300
Open int.	6,536	
Total daily turnover	1,018	

■ LEAD ($ per tonne)

Close	723-24	730-31
Previous	734.5-6.5	734.5-5.5
High/low		735/725
AM Official	718-19	726-26.5
Kerb close		725-26
Open int.	39,772	
Total daily turnover	8,025	

■ NICKEL ($ per tonne)

Close	7050-60	7150-60
Previous	7085-95	7195-200
High/low	7045	7160/7095
AM Official	7045-50	7140-45
Kerb close		7150-60
Open int.	44,792	
Total daily turnover	11,922	

■ TIN ($ per tonne)

Close	5945-55	5980-85
Previous	5965-75	6000-05
High/low		5990/5975
AM Official	5930-40	5970-75
Kerb close		5975-80
Open int.	16,532	
Total daily turnover	4,994	

■ ZINC, special high grade ($ per tonne)

Close	1040.5-41.5	1061-62
Previous	1041-41	1061-62
High/low		1062/1050
AM Official	1038-38.5	1058.5-59.0
Kerb close		1059.5-60.0
Open int.	85,289	
Total daily turnover	14,026	

■ COPPER, grade A ($ per tonne)

Close	2122-24	2040-41
Previous	2151-54	2069-70
High/low		2055/2016
AM Official	2090-91	2015-18
Kerb close		2031-32
Open int.	166,040	
Total daily turnover	85,258	

■ LME AM Official £/$ rate: 1.6682
LME Closing £/$ rate: 1.6635

Spot: 1.6636 3 mths: 1.6602 6 mths: 1.6555 9 mths: 1.6503

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	96.65	-2.15	97.20	96.10	707	2,688
Dec	95.85	-2.05	97.90	94.50	7,060	22,300
Jan	94.65	-1.85	94.65	94.65	126	1,991
Feb	93.85	-1.65	93.85	93.85	151	1,116
Mar	92.80	-1.70	94.90	91.55	2,865	14,340
Apr	92.35	-1.55	88.43	88.43	21	569
Total					11,084	61,168

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	382.50-382.80		
Opening	382.30-382.60		
Morning fix	382.65	229.765	485.851
Afternoon fix	383.00	230.113	487.368
Day's High	383.25-383.65		
Day's Low	382.20-382.50		
Previous close	383.70-384.00		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....3.19 6 months 3.34
2 months ....3.15 12 months 3.42
3 months 3.13

Silver Fix	p/troy oz.	US cts equiv.
Spot	293.75	489.25
3 months	297.95	495.20
6 months	302.45	501.00
1 year	312.10	513.80

Gold Coins	$ price	£ equiv.
Krugerrand	378-380	227-229
Maple Leaf	387.85-390.30	-
New Sovereign	88-91	53-55

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	381.4	-2.3	-	-	14	5
Dec	381.8	-2.4	384.4	381.4	46,415	77,159
Feb	383.8	-2.4	386.3	383.4	7,437	25,978
Apr	386.0	-2.4	388.2	385.4	1,090	12,384
Jun	388.3	-2.4	390.1	388.0	670	12,907
Aug	390.6	-2.4	394.2	394.2	611	4,756
Total					56,167	161,328

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jan	389.4	-2.2	391.5	389.0	2,046	17,668
Apr	391.9	-2.2	394.0	392.0	107	8,412
Jul	394.8	-2.2	397.5	397.5	2	991
Oct	398.1	-2.2	-	-	6	136
Total					2,153	27,207

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Dec	120.50	-3.10	122.75	120.25	2,263	5,624
Mar	121.70	-3.10	123.75	121.25	979	2,584
Jun	122.80	-3.10	124.00	124.00	71	218
Total					3,244	8,427

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Nov	483.1	-5.8	492.0	489.0	15	10
Dec	484.0	-5.8	493.5	483.0	15,427	55,586
Jan	486.0	-5.8	-	-	-	26
Mar	491.1	-5.7	501.0	490.0	2,095	18,321
May	495.4	-5.7	504.0	503.0	114	6,817
Jul	499.9	-5.7	509.0	500.0	46	5,557
Total					17,857	93,965

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	24.15	+0.03	24.45	23.88	47,884	68,851
Jan	23.98	+0.02	24.21	23.76	32,182	70,580
Feb	23.69	+0.04	23.85	23.52	10,229	38,388
Mar	23.39	+0.10	23.45	23.15	3,449	24,831
Apr	23.03	+0.10	23.04	22.80	2,566	17,373
May	22.64	+0.06	22.65	22.40	812	13,614
Total					103,826	402,490

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	23.80	-0.09	23.99	23.77	12,689	17,582
Jan	23.37	+0.03	23.50	23.19	21,486	70,418
Feb	22.92	+0.12	23.04	22.76	2,832	27,979
Mar	22.38	+0.10	22.50	22.32	1,444	29,528
Apr	21.88	+0.10	21.85	21.76	861	8,833
May	21.38	+0.09	21.44	21.36	290	4,846
Total					41,853	184,746

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	71.80	+0.40	72.40	70.70	23,879	37,279
Jan	71.30	+0.32	72.00	70.60	11,871	37,002
Feb	69.35	+0.07	70.19	69.15	4,611	16,498
Mar	66.60	+0.02	67.25	66.40	2,119	9,711
Apr	62.80	-0.23	63.90	62.80	1,113	5,483
May	60.65	+0.22	60.65	60.25	641	3,002
Total					45,248	134,371

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	219.25	+3.00	223.00	218.25	9,223	28,368
Jan	215.25	+3.00	216.75	214.25	4,893	29,996
Feb	208.75	+2.75	210.25	208.50	885	9,801
Mar	201.50	+2.50	202.75	201.75	416	6,660
Apr	194.25	+2.25	195.50	194.25	183	4,464
May	189.50	-	-	-	-	2,824
Total					15,422	90,892

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	2.761	+0.116	2.780	2.650	15,222	33,886
Jan	2.760	+0.110	2.780	2.665	6,762	31,322
Feb	2.535	+0.077	2.550	2.480	2,631	15,455
Mar	2.325	+0.062	2.330	2.280	878	10,533
Apr	2.125	+0.040	2.130	2.090	188	6,406
May	2.045	+0.035	2.050	2.010	186	5,763
Total					27,003	150,656

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	68.35	+0.01	69.20	67.50	13,871	22,379
Jan	65.60	-0.28	66.40	65.15	6,155	17,167
Feb	65.00	-0.28	65.55	64.75	1,729	7,433
Mar	65.50	-	65.50	64.35	115	3,953
Apr	67.10	-	67.10	66.20	151	2,925
May	66.00	-0.80	65.85	65.85	65	1,422
Total					22,359	58,296

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	93.50	-2.00	96.50	96.50	1	25
Jan	95.20	-2.00	96.00	95.20	51	2,071
Mar	97.00	-2.10	98.00	97.00	429	1,886
May	98.20	-2.00	99.00	98.20	201	1,981
Jul	99.30	-2.10	103.00	103.00	20	298
Nov	95.00	-1.90	96.00	95.00	119	280
Total					800	6,543

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Dec	396.75	-4.00	404.50	395.00	11,779	25,875
Mar	390.50	-4.50	397.50	389.50	8,454	22,136
May	368.50	-	373.50	367.50	842	3,801
Jul	360.75	-1.75	355.50	350.50	1,475	12,009
Sep	355.00	-	358.00	356.50	28	365
Dec	364.00	-	364.00	364.00	18	187
Total					22,661	64,462

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Dec	271.25	-0.50	273.25	269.75	42,596	118,044
Mar	273.50	-	276.00	272.00	22,081	109,389
May	277.25	+0.25	280.00	276.50	6,753	43,890
Jul	280.25	+0.50	283.00	279.50	8,351	39,704
Sep	273.50	-	276.50	273.50	337	4,705
Dec	272.75	-	275.25	272.25	1,779	30,663
Total					81,834	348,286

■ BARLEY LIFFE (£ per tonne)

Nov	91.35	-0.40	92.00	91.75	10	274
Jan	92.50	-0.75	93.25	93.25	10	751
Mar	93.75	-0.75	94.50	94.50	10	232
May	94.75	-0.75	-	-	-	118
Sep	91.00	-1.50	-	-	-	1
Nov	93.00	-1.50	93.50	93.00	62	25
Total					62	1,401

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Nov	691.25	-1.50	696.50	690.50	1,816	2,793
Jan	688.25	-2.25	694.00	687.50	38,848	71,834
Mar	689.75	-1.00	695.50	689.00	8,914	35,333
May	691.50	-1.00	697.00	690.75	3,086	18,758
Jul	693.25	-1.25	699.00	693.00	3,843	15,156
Aug	691.50	-1.50	695.00	691.50	58	2,144
Total					58,486	185,885

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Dec	23.16	+0.08	23.39	23.07	9,536	36,373
Jan	23.40	+0.04	23.62	23.31	5,624	22,794
Mar	23.75	+0.10	23.97	23.65	3,134	20,800
May	24.04	+0.04	24.30	23.95	991	11,101
Jul	24.35	+0.08	24.50	24.24	225	5,265
Aug	24.35	+0.05	24.30	24.25	28	1,452
Total					19,664	100,244

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Dec	231.3	-1.2	233.5	231.0	13,329	30,050
Jan	223.0	-1.5	225.4	222.8	6,260	16,465
Mar	217.8	-0.9	218.5	217.3	4,415	20,590
May	214.2	-0.3	215.3	213.3	1,767	10,830
Jul	214.1	-0.1	215.0	213.4	1,346	7,258
Aug	213.5	+0.5	214.5	213.0	115	1,804
Total					27,290	91,300

■ POTATOES LIFFE (£/tonne)

Mar	62.0	-1.2	-	-	-	-
Apr	69.0	-1.0	69.0	68.0	64	1,274
May	78.0	-1.0	-	-	-	17
Jun	88.0	-1.0	-	-	-	-
Apr	116.5	+0.5	116.0	115.2	12	10
Total					76	1,303

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

Nov	1445	-15	1445	1425	72	371
Dec	1340	-60	1380	1338	237	522
Jan	1315	-20	1324	1285	191	1,924
Apr	1330	-25	1330	1306	92	747
Jul	1130	-10	1110	1110	19	259
Oct	1265	-	-	-	-	34
Total					697	3,882

	Close	Prev
BFI	1521	1522

FUTURES DATA
All futures data supplied by CMS.

Wool

The Wool market continued to hover along with a slight tendency to drift lower identified. Australia's Eastern Market Indicator closed at 566cts down 4 on the week. The Western market indicator was down 5 at 527cts. New Zealand's market indicator was down 2 at 461cts. Prices are too low to encourage wool growers to increase production and trading in wool and wool products remains extremely competitive. The Australian stockpile of mainly middle micron merino wool amounts to nearly two million bales. This appears to be having an effect on the entire market. Currency factors and uncertainty over the world economy are keeping prices soft in several sectors and major cosuming markets and keeping growth in check.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	889	+7	890	877	3,565	17,996
Mar	922	+6	925	910	5,477	46,105
May	941	+7	943	928	872	14,457
Jul	956	+4	960	945	272	12,524
Sep	972	+5	975	962	202	6,940
Dec	989	+6	990	979	240	5,224
Total					10,986	127,230

■ COCOA CSCE (10 tonnes; $/tonnes)

Dec	1330	+20	1333	1302	8,180	2,008
Mar	1379	+12	1382	1357	11,613	42,082
May	1400	+10	1403	1379	964	9,887
Jul	1420	+16	1420	1395	153	7,210
Sep	1433	+18	1437	1415	97	6,181
Dec	1452	+18	1448	1448	11	900
Total					21,022	77,208

■ COCOA (ICCO) (SDR's/tonne)

Nov 13	Price	Prev. day
Daily	975.27	981.49

■ COFFEE LIFFE ($/tonne)

Nov	1503	+3	1505	1490	170	2,278
Jan	1432	+2	1435	1416	1,083	16,892
Mar	1378	+8	1381	1360	779	9,073
May	1362	+12	1365	1340	289	4,544
Jul	1362	+17	1357	1340	209	541
Sep	1363	+13	1345	1345	10	217
Total					2,642	33,843

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Dec	121.60	+3.10	122.25	117.75	2,943	5,590
Mar	112.40	+1.05	112.80	111.00	4,298	15,546
May	108.55	+0.55	109.00	107.70	712	4,856
Jul	107.35	+0.40	107.00	107.00	67	1,104
Sep	106.05	+0.10	106.40	106.40	40	782
Dec	104.55	-0.40	105.50	105.50	10	414
Total					8,070	28,377

■ COFFEE (ICO) (US cents/pound)

Nov 13		Prev. day
Comp. daily	98.29	96.84
15 day average	98.73	99.07

■ WHITE SUGAR LIFFE ($/tonne)

Dec	304.5	+0.8	304.5	303.4	481	776
Mar	303.7	+0.4	304.7	302.8	1,286	14,880
May	304.4	+0.3	305.6	304.7	10	4,841
Aug	305.8	+0.5	306.3	305.0	42	2,286
Oct	300.9	+0.7	301.0	300.9	21	1,231
Dec	302.2	+0.1	303.0	303.0	23	325
Total					1,821	24,709

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	10.37	-0.11	10.50	10.34	7,982	86,229
May	10.49	-0.06	10.56	10.47	1,505	30,479
Jul	10.41	-0.06	10.48	10.41	802	19,466
Oct	10.41	-0.07	10.48	10.41	584	11,815
Mar	10.45	-0.03	10.49	10.44	18	4,003
May	10.45	-0.01	10.50	10.50	18	804
Total					10,689	153,293

■ COTTON NYCE (50,000lbs; cents/lbs)

Dec	72.08	+1.11	73.05	71.20	6,163	21,011
Mar	73.74	+0.66	74.90	73.30	4,130	17,701
May	75.05	+0.76	75.80	74.65	1,179	9,813
Jul	76.00	+0.90	76.60	75.40	443	6,713
Oct	75.70	-	76.20	75.85	97	1,269
Dec	75.76	-	76.45	75.85	373	5,518
Total					12,441	62,653

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Nov	107.30	-4.95	112.00	107.50	701	3,633
Jan	99.15	-0.75	100.60	98.00	315	11,550
Mar	102.05	-0.75	103.50	102.20	114	6,286
May	104.60	-0.50	105.75	104.80	127	2,352
Jul	106.80	-1.15	108.50	107.50	46	629
Sep	108.80	-1.15	109.95	109.95	13	251
Total					582	22,740

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Nov 14	Nov 13	month ago	year ago
1842.2	1845.1	1880.2	2181.3

■ CRB Futures (Base: 1967 = 100)

Nov 13	Nov 12	month ago	year ago
242.33	240.49		

■ GSCI Spot (Base: 1970 = 100)

Nov 13	Nov 12	month ago	year ago
208.22	205.19	210.56	184.99

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Dec	68.575	+0.775	68.900	67.825	6,048	30,484
Feb	64.925	-	65.450	64.725	4,712	23,130
Apr	66.350	+0.050	66.700	66.025	2,448	15,806
Jun	63.675	+0.050	63.975	63.400	1,294	6,675
Aug	63.050	+0.050	63.325	62.800	623	6,966
Oct	65.450	-0.025	65.725	65.350	369	4,012
Total					15,564	87,918

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Dec	58.625	+1.500	58.825	57.500	4,339	11,263
Feb	77.300	+0.925	77.450	76.200	2,529	10,018
Apr	72.275	+1.050	72.400	71.225	561	4,016
Jun	75.750	+0.825	75.900	74.875	783	3,913
Jul	72.750	+0.700	72.800	72.000	144	1,258
Aug	69.800	+0.700	70.000	68.900	129	843
Total					8,537	32,017

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	76.800	+2.975	76.825	74.150	2,086	4,785
Mar	76.675	+2.875	76.700	74.000	177	564
May	77.000	+2.400	77.050	74.950	67	432
Jul	77.250	+2.500	77.250	74.750	21	366
Aug	73.400	+2.400	73.000	72.750	5	59
Total					2,358	6,206

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Dec	Mar	Dec	Mar
1350	73	116	7	27
1400	39	84	22	45
1450	16	59	50	68
■ COPPER (Grade A) LME	Dec	Mar	Dec	Mar
2000	107	125	27	115
2050	75	103	45	142
2100	52	84	70	172
■ COFFEE LIFFE	Jan	Mar	Jan	Mar
1400	67	61	35	83
1450	40	43	58	115
1500	22	29	91	151
■ COCOA LIFFE	Dec	Mar	Dec	Mar
900	3	40	14	18
925	-	31	36	34
950	-	22	61	50
■ BRENT CRUDE IPE	Dec	Jan	Dec	Jan
2200	-	-	-	25
2250	-	-	-	-
2300	15	-	10	56

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$21.57-1.62x	+0.445
Brent Blend (dated)	$23.22-3.25	+0.360
Brent Blend (Dec)	$23.70-3.73	+0.370
W.T.I.	$24.19-4.21x	+0.340
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$238-240	+7
Gas Oil	$226-227	+1
Heavy Fuel Oil	$112-114	
Naphtha	$225-227	+1
Jet fuel	$248-250	+3
Diesel	$232-234	+4
■ NATURAL GAS (Pence/therm)		
Bacton (Dec)	15.25-5.35	+0.20
Petroleum Argus. Tel. London (0171) 359 8792		
■ OTHER		
Gold (per troy oz)♣	$382.65	-1.20
Silver (per troy oz)♣	488.50c	-4.00
Platinum (per troy oz.)	$386.25	-0.50
Palladium (per troy oz.)	$120.50	+1.75
Copper	102.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.60r	
Tin (New York)	279.50	
Cattle (live weight)	104.54p	+4.71*
Sheep (live weight)	136.57p	+7.67*
Pigs (live weight)†	99.85p	+1.00*
Lon. day sugar (raw)	$282.90	+3.50
Lon. day sugar (wte)	$308.50	+1.20
Barley (Eng. feed)	£100.4	
Maize (US No3 Yellow)	127.0	
Wheat (US Dark North)	Unq	
Rubber (Dec)♥	81.50p	
Rubber (Jan)♥	81.50p	
Rubber (KL RSS No1)	319.0z	-2.0
Coconut Oil (Phil)§	$760.0v	-5.0
Palm Oil (Malay.)§	565.0z	+5.0
Copra (Phil)§	470.0	
Soyabeans (US)	188.0z	
Cotton Outlook'A' index	74.90	+0.10
Wooltops (64s Super)	398p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Dec v Nov/Dec z Nov ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,414 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,226 Set by GRIFFIN

CROSSWORD_CLUES

FT MANAGED FUNDS SERVICE

Offshore Funds

• FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Intl Money Market Fd

Sumit International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

LGT Asset Management Ltd - Contd.

Tilney (Ireland) Ltd

Global Resources Stock Fund

Goldman Sachs

Gordon House Asset Management Ltd

HSBC UK Equity Plus Plc

HSBC UK Equity Plus II Plc

Hambros Fund Managers (Ireland) Ltd

Sellern Investment Mngt (Ireland) Ltd

Singer & Friedlander Closed Funds Plc

Societe Generale Group

Stellar Fund Plc

Trainer Wortham & Company Inc

Newton Fund Mgrs - Contd.

Prudential Fund Managers (Jersey) Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (REGULATED)(**)

JERSEY (SIB RECOGNISED)

	Init Notes Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Murray Johnstone (Dublin) Ltd					
Europa House, Harcourt St, Dublin 2			3531 407 2000		
Murray Global Accumulation Fund Plc					
Murray Financials Bond .. 2		103.31		-0.14	5.41
Oday Asset Management Ltd					
60 Harcourt Street, Dublin 2			00 3531 790 2400		
Oday European Gth Inc..		DM150.37		—	—
Oday European Gth Acc.		DM150.95		—	—
Oday European Gth Inc..		$94.56		—	—
Oday European Gth Acc.		$94.62		—	—
Old Mutual International Fd Mngrs Ltd (a)					

	Selling Price	Buying Price	+ or -	Yield Gross
Baring Mutual (Ireland) Ltd				
Umbrella Fund Inc	$12.68	13.27	—	0.09
Greater America Fund '92..	$886.78		—	0.00
Pacific Emerging 94 A....	$86.93		—	0.00
Pacific Emerging 94 B....	$82.71		—	0.00
Latin America	$07.88		+0.03	0.00
Taiwan Fund NAV	$10.35		-0.12	0.00
Berkshire KITC Growth Fund Plc				
NAV Sep 13	$8.92		-0.20	-
Berkshire Korea Fund Plc				

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

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LUXEMBOURG (SIB RECOGNISED)

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
ABN AMRO Funds (u)					
4 Rue Jean Monet, L-2180 Luxembourg 352 424949320					
Latin America Equity		$48.43	49.18	—	-
North America Equity		$83.07	83.49	—	-
Asian Tigers Equity		$63.04	63.67	—	-
Europe Equity		$74.52	74.89	—	-
Germany Equity		[illegible]	138.17	—	-
Japan Equity		$48.45	48.93	—	-
Europe Bond		$61.43	61.58	—	-
US Bond		$50.57	50.72	—	-
Global Bond		$61.42	61.57	—	-
Germany Bond D		[illegible]	109.44	—	-
Spain Bond		[illegible]	10063	—	-
Eastern Europe Equity F		[illegible]	178.11	—	-
China Equity F		$56.94	57.68	—	-
Switzerland Equity		[illegible]	124.88	—	-
Abtrust Fund Mngrs Luxembourg SA (u)					
4 Boulevard Royal L 2449 Luxembourg 00 352 227001					
Abtrust Atlas Fund					
Global Cap Portfolio		$3.848		+0.011	-
United States Portfolio		$5.631		+0.023	-
Conti Europe Portfolio		DM8.421		+0.037	-
Japan Portfolio		[illegible]		-0.005	-
Pacific Portfolio		$8.956		+0.022	-
Gold Portfolio		$8.542		+0.097	-
UK Growth of Income		£2.068		-0.001	3.61

	Selling Price	+ or -	Yield Gr's
Fidelity Funds - Contd.			
Country Select Funds			
ASEAN	$20.11	+0.17	-
Asian Special Situations	$11.06	+0.12	-
Australia	A$16.93	+0.02	1.29
Emerging Markets	$8.368	+0.032	-
European Sm Cos F	DM13.91	+0.08	-
France	FFr67.02	-0.40	-
Germany	DM21.43	+0.11	-
Hong Kong	$52.38	+0.58	0.56
Iberia	Pta1923	+7	-
Indonesia	$10.48	-0.08	-
Italy	L14601	+68	-
Japan Smllr Cos	Y1037	-3	-
Korea F	$7.987	+0.001	-
Latin America	$8.475	-0.008	0.54
Malaysia	$24.11	-0.21	-
Nordic	SKr189.4	+0.9	-
Singapore	$25.41	+0.24	-
Switzerland	SFr15.06	-0.01	-
Thailand	$28.98	+0.82	-
United Kingdom	£1.128	-0.002	-
Bond Funds			
European	Ecu11.16	-0.02	5.83
International	$1.068	+0.001	6.38
US Dollar	$5.684	+0.005	5.72
Sterling	£0.280	—	6.28
Yen	Y1854	+4	2.45
Balanced			
European Balanced	DM12.72	+0.02	1.92

Mercury Asset Management S.A.

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Cont.

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

Approved by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

Approved by the Inland Revenue

[illegible]

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PAPER, PACKAGING & PRINTING - Cont.

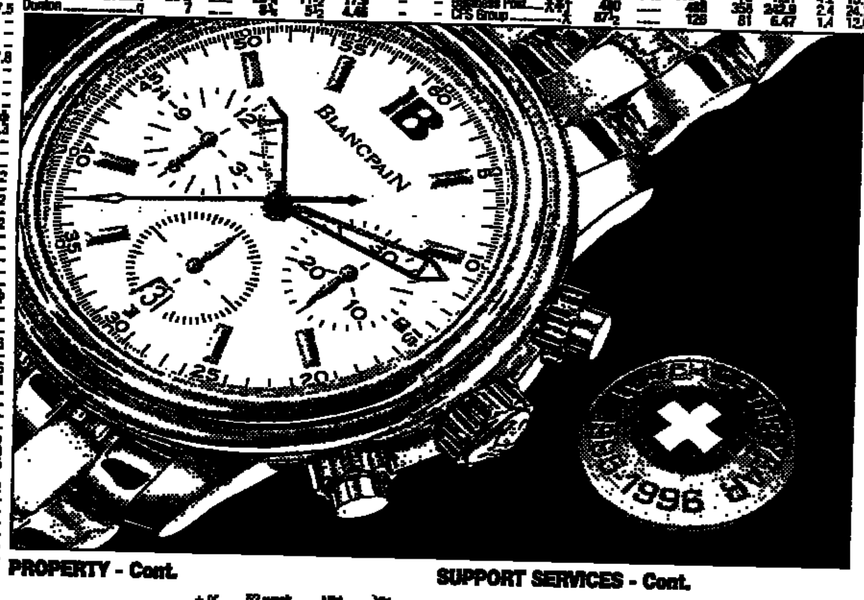
[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]



PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, FOOD - Cont.

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Trans Can Pipe	♥	1013	-9	1081	8½	1,883	3.1	[illegible]
Western Star Trucks		14⅝	-⅜	21⅝	14⅟₁₆	186.2	-	3.6

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind	g	£20½xd	-	£234½	£20½	1,844	3.4	Φ
Barlow	ΦT	625	-1	£10½	554	1,085	2.2	-
Gold Flds Prop R		124	-1	170	120	127	6.2	10.7
RK Props		82	-	96	80	2.48	13.2	-
SASOL	♥	645	-	710	475	3,777	1.6	-
SA Brews		£14⅛	-½	£26⅝	£14⅛	4,369	2.2	Φ
Standard Bank		£21⅛	-⅛	£32⅞	£21⅛	2,591	7.8	20.6
Tiger Oats	†	780	-	1270	770	1,188	1.8	18.0
Toogaat-Hulett		676½xd	-4½	1247	676½	640.2	2.5	Φ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✧ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Assumed dividend yield after rights issue.
d Assumed dividend yield after scrip issue.
e Rights issue pending
g Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

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The share prices printed on these pages are also available on the internet at http://www.FT.com.

LONDON STOCK EXCHANGE

Gilts rebound triggers good rally in equities

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

Another set of disturbing economic statistics brought further pressure to bear on UK stocks yesterday. But London managed to weather most of a flurry of selling that followed worse than expected inflation figures for October thanks to a good rally in gilts.

These fell around 8 to 10 ticks immediately following the inflation data, but picked up strongly as sterling made renewed progress. The 20-year gilt closed around a full point higher.

The headline inflation data showed that prices rose 2.7 per cent in the year to end October, against forecasts of 2.5 per cent. Underlying inflation (which excludes mortgage interest payments) was 3.3 per cent, compared with expectations of around 3 per cent. Both numbers increased the chances that UK interest rates will have to rise before the general election.

The feeling in the market was that interest rates may rise by 25 basis points and possibly 50 basis points as early as next month, after the December 11 meeting between Mr Kenneth Clarke, the chancellor, and Mr Eddie George, governor of the Bank of England.

Commenting on the inflation news, Mr Adam Cole, UK economist at HSBC James Capel, said "The October RPI data leave the UK with the highest inflation rate in Europe, with the exception of Greece, and the chances of the government hitting its inflation target of 2.5 per cent by the end of this parliament at virtually nil." Mr Richard Jeffrey, group economist at Charterhouse Tilney, described the inflation numbers as "alarming", adding that all the recent prices data pointed in the same direction.

The FTSE 100 index ended only 0.8 lower at 3,916.7 having swung 35.9 points during the day. The FTSE 250 suffered more severe damage, losing the 4,400 level and closing 11.3 down at 4,398.9. There was some consolation for investors in smaller stocks, with the SmallCap index managing a modest 1.1 rise to 2,162.7.

Wall Street played a big part in London's reluctance to fall below the psychologically important 3,900 level, with the Dow Jones Industrial Average looking like extending its run of consecutive gains to a seventh session. The Dow was up over 20 points shortly after the London close.

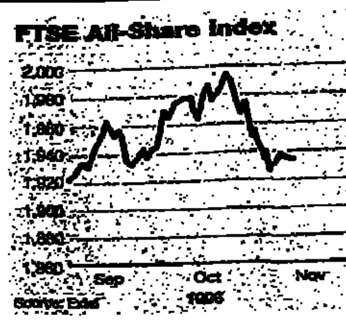
Yesterday brought important US economic news with inflation figures, retail sales and earnings details for October as well as jobless claims for last week. The data was seen as broadly in line with forecasts and caused little damage to the bond market.

Big "bed and breakfast", or tax-related, trades in British Gas, Hanson, Cookson and Lonrho and others contributed to the much higher than usual turnover during the opening half-hour.

But the best individual Footsie performance came from Great Universal Stores after the UK mail order and department store group merged its credit information business with US group Experian in a £1bn-plus deal.

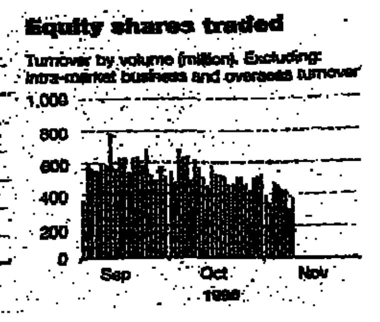
Turnover at 6pm reached a hefty 1,130.2m shares, while customer business on Wednesday was £1.12bn.

FTSE All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	3926.1	−0.8
FTSE 250	4398.9	−11.3
FTSE 350	1959.7	−1.5
FTSE All-Share	1935.55	−1.22
FTSE All-Share yield	3.86	3.86
FT 30	2761.0	−4.5
FTSE Non-Fins p/e	17.66	17.71
FTSE100 Fut Dec	3935.0	−6.0
10 yr Gilt yield	7.57	7.68
Long gilt/equity yld ratio	2.04	2.06

Best performing sectors

1 Gas Distribution ....+4.3
2 Retailers: Food ....+1.2
3 Utilities ....+1.1
4 Telecommunications ....+1.1
5 Water ....+0.8

Worst performing sectors

1 Engineering: Vehicles ....−1.2
2 Tobacco ....−1.1
3 Extractive Industries ....−1.0
4 Food Producers ....−0.8
5 Chemicals ....−0.8

GUS ahead after US purchase

By Lisa Wood, Peter John and Joel Kibazo

The market was taken by surprise by the strategic shift by Great Universal Stores in its acquisition of Experian, a US supplier of credit, marketing and information services.

GUS, the best performer in the FTSE 100 index climbing 57½ to 648p, has been in the information services business since 1980, but it has been a small part of its activities as the market has tended to concentrate on its retailing businesses.

Analysts of the cash-rich and traditionally cautious group have speculated that the group's strategy, under Lord Wolfson its new chairman, might include a demerger or extending the retailing activities by acquisition.

GUS will now become an important part of the global information services industry, a move which was welcomed by the market with the share price movement assisted by upgrades for next year's results. A few marketmakers were said to be short of stock.

The deal is expected to be earnings-enhancing in the first full year of ownership and is forecast to generate strong cashflow. The only note of caution from one analyst was that several UK companies have had poor experiences acquiring US companies, but that, in this case, GUS appeared to have sought to minimise the risks.

ABN-Amro Hoare Govett said: "This is a sensible deal by GUS with excellent growth prospects and it highlights the substantial potential of some of its lesser-known business areas."

The retail sector was generally weakened by October's inflation figures which renewed fears of interest rate rises. **Marks & Spencer** fell 7¼ to 477p and **Dixons** softened 6½ to 556p. **Next**, which had been viewed as a possible takeover target for GUS, fell 2½ to 555½p. Fifteen marketmakers were said to have marked Next down on the news of the GUS acquisition.

The acquisition deadened rumours that **House of Fraser** might be about to be a bid target. It softened 2½ to 142p.

Standard Chartered fell sharply after the company was subject to a sharp forecast reduction from one already negative broker.

Crédit Lyonnais Laing – at the bottom of the pack with a 1997 forecast of £920m compared to the consensus range of analysts' forecasts between £950m and £960m – reduced its estimate by a further £30m to £890m.

The broker's banking team believes that, having cut costs to the bone, the bank's revenue growth is poised to slow from 30 per cent to around 10 per cent.

It believes the full picture will not emerge until the figures are published in March. But, by then, it might become apparent that 1997 forecasts might not be met until 1998. Standard was also affected by the continuing strength of sterling as about 70 per cent of its profits derive from dollar-denominated currencies.

ABN-Amro Hoare Govett was also said to have been bearish on prospects. The shares fell 10 to 649p.

British Gas took second place in both the FTSE 100 performance and turnover tables as the shares responded once again to the recent revival of takeover speculation and also to buy recommendations published by two of the UK market's top brokers.

Turnover in the stock reached 67m shares thanks mainly to the second half of a series of big "bed and breakfast" deals. The sell side of the deals produced similar turnover in the stock on Wednesday.

After a UBS recommendation on Wednesday, NatWest was the main driving force behind the rise in Gas shares yesterday. Mr Simon Flowers, gas analyst at NatWest, said the planned demerger of TransCo and BG Energy, scheduled for the first quarter of next year "could be the catalyst for an improved of share price performance next year. Our valuations suggest the downside for shareholders is limited with the shares close to their all-time relative low".

Gas shares closed 9 higher at 207½p, a two-day gain of 15, or over 7 per cent in two days.

There was no disguising the market's appreciation of half-time figures from British Telecom.

The shares jumped 9 to 369½p as turnover soared to 52m, one of the day's highest totals. The rise in the stock price boosted BT's market capitalisation by over £500m. Dealers attributed the sizeable volume to arbitrage trading between BT shares and those of US group MCI with which it is merging. The stock was also busy in the traded options where the equivalent of an additional 2.5m was dealt.

Several brokers moved to upgrade full-year profit expectations in the wake of the favourable figures. The included Panmure Gordon where analyst Ms Tressan McCarthy raised her forecast for the year to March 1997 from £3.066bn to £3.183bn.

Shares in electronics group Psion jumped 45 to 441½p after BZW, the group's broker, placed 3.5m new ordinary shares at 400p a share to raise around £14m. BZW also raised its profits forecast for the year ending December 1997 by £2m to £24m and raised earnings per share expectations by 4 per cent to 20.6p.

Ladbroke softened 3 to 195½p following its trading update.

A number of food retailers strengthened including J Sainsbury, which rose 9½ to 351p. Charterhouse Tilney Securities reiterated its positive stance on the sector.

South West Water rose 6 to 583½p in response to higher than expected pre-tax profits for the first half.

Oxford Instruments dropped 21½ to 470p amid talk of downgradings after the company posted slightly disappointing first-half results.

PowerGen gained 3½ to 554p after saying it planned a buy-back of up to 10 per cent of its equity and reporting first-half profits in line with expectations.

Perpetual, the fund management group, retreated 102½p to 2,225p after a cautious statement of prospects for the current year.

Manchester United climbed 24 to 530p on the back of media reports that pay-per-view broadcasts of live games in the UK premier soccer league could start as early as next year. The market was not disheartened by the Premier League denying that it was in talks. One analyst confidently forecast that pay-per-view would be in place by the end of the season.

Worries about the outlook for the European automotive sector made GKN the day's worst performer in the Footsie. The shares tumbled 26 to 1091½p.

Volume was 1.4m.

FT 30 INDEX

	Nov 14	Nov 13	Nov 12	Nov 11	Nov 8	Yr ago	*High	*Low
FT 30	2761.0	2765.5	2775.3	2764.8	2763.9	2641.8	2885.2	2668.8
Ord. div. yield	4.13	4.08	4.10	4.13	4.14	4.06	4.22	3.76
P/E ratio net	16.70	16.91	16.81	16.70	16.67	15.89	17.46	15.80
P/E ratio nil	16.54	16.75	16.65	16.54	16.51	15.73	17.30	15.71

FT 30 since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2771.3	2773.3	2761.1	2744.9	2754.0	2755.7	2755.3	2754.4	2759.9	2774.1	2744.9

	Nov 14	Nov 13	Nov 12	Nov 11	Nov 8	Yr ago
SEAQ bargains	34,250	33,665	34,544	35,618	35,779	27,887
Equity turnover (£m)†	–	1124.8	1019.8	824.6	1438.7	1997.1
Equity bargains†	–	22,612	22,597	23,862	24,967	38,137
Shares traded (mil)†	–	493.8	371.6	305.4	428.7	714.0

†Excluding intra-market business and overseas turnover.

	Nov 14	Nov 13	Nov 12	Nov 11	Nov 8	Yr ago	*High	*Low
FTSE AIM	1028.00	1025.60	1024.20	1023.70	1020.90	–	1140.40	965.70

*For 1996.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	389	Total Highs	55	Total contracts	60,200
Total Falls	805	Total Lows	105	Calls	28,373
Same	1,401			Puts	31,827

Nov 14 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3946.0	3935.0	-6.0	3958.0	3919.0	15378	57442
Mar		3951.0	-6.0			0	3903
Jun		3967.0	-6.0			0	1783

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	4416.0	4416.0	-23.0	4416.0	4416.0	2	4193

FTSE 100 INDEX OPTION (LIFFE) (3922) £10 per full index point

[illegible]

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

Calls 6,849 Puts 14,652 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
[illegible]											

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Nov 13	% chg on day	Nov 12	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	[illegible]							
Regional indices								
Africa (13)	[illegible]							
Australasia (6)	[illegible]							
North America (12)	[illegible]							

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Nov 14	Day's chge%	Nov 13	Nov 12	Nov 11	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	3926.1	[illegible]									
FTSE 250	4398.9	[illegible]									
FTSE 250 ex IT	[illegible]										
FTSE 350	1959.7	[illegible]									
FTSE 350 Higher Yield	[illegible]										
FTSE 350 Lower Yield	[illegible]										
FTSE SmallCap	2162.74	[illegible]									
FTSE SmallCap ex IT	[illegible]										
FTSE All-Share	1935.55	[illegible]									

FTSE Actuaries Industry Sectors

[illegible]

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	[illegible]										
FTSE 250	[illegible]										
FTSE 350	[illegible]										

FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	[illegible]											
Pharmaceuticals	[illegible]											
Water	[illegible]											
Banks, Retail	[illegible]											

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810. The FTSE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FTSE International in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence.

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]			

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent. All trades are rounded. Source: Datal, part of FT Information.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

PACIFIC

AFRICA

NORTH AMERICA

TORONTO (Nov 14 / Can $) 4 pm close

INDICES

US INDICES

INDEX FUTURES

■ CAC-40 (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Nov	2242.0	2226.0	−7.0	2303.0	2213.5	16,319	24,185
Dec	2248.5	2231.0	−7.0	2248.0	2221.0	909	20,252

■ DAX	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Dec	2791.0	2794.5	+17.5	2795.0	2778.5	22,239	93,965
Mar	2808.0	2813.5	+17.0	2814.0	2798.0	979	[illegible]

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Nov	1710.00	1736.00	+38.50	1739.00	1708.25	6,446	25,003
Dec	1717.00	1748.25	+39.25	1746.25	1717.00	2,990	3,764

■ SOFFEX	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Nov	3835.0	3861.5	+37.5	3862.0	3832.0	8,736	13,705
Dec	3840.0	3864.0	+38.1	3866.0	3837.9	3,717	12,986

** Sat Nov 9: Taiwan Weighted Price 6593.08; Korea Comp Ex 730.82. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Nov 13 – 2770.81 +6.31.

■ RATIOS	Nov 8	Nov 1	Oct 25	Year ago
Dow Jones Ind. Div. Yield	2.09	2.15	2.15	2.39
	Nov 13	Nov 6	Oct 30	Year ago
S & P Ind. Div. yield	1.87	1.89	1.95	2.04
S & P Ind. P/E ratio	22.64	23.58	22.80	18.23

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Wal-Mart	11,552,700	24⅛	-1⅛
Westinghs	7,716,600	19⅝	-⅜
AT & T	7,325,700	37⅝	-½
Micron Tch	5,109,200	31⅝	+¾
Cm'bell Sp	4,001,500	81¼	+¾
Compaq	3,802,500	76	+2⅛
Barrick Gd	3,510,800	28⅝	—
Motorola	3,212,900	51⅞	-⅛
Homestake	3,188,100	16⅝	+¼
Chrysler	2,705,100	33⅝	+⅝

■ TRADING ACTIVITY

● Volume (million)

	Nov 13	Nov 12	Nov 11
New York SE	429.611	471.743	353.959
Amex	22.315	21.900	20.258
NASDAQ	593.876	610.741	444.303
NYSE			
Issues Traded	3,288	3,303	3,261
Rises	1,295	1,329	1,402
Falls	1,118	1,111	1,001
Unchanged	875	863	858
New Highs	168	226	233
New Lows	20	21	31

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Dec	734.15	731.60	−2.55	734.15	731.40	62,713	190,978
Mar	738.00	736.00	−2.75	738.20	738.00	800	9,113

■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Dec	21060.0	21090.0	+30.0	21110.0	20970.0	12,616	216,136
Mar	21090.0	21110.0	+10.0	21150.0	21040.0	1,909	19,013

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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■ TOKYO - MOST ACTIVE STOCKS: Thursday, November 14, 1996

	Stocks Traded	Closing Prices	Change on day
Nippon Steel Corp	8.8m	347	+5
Green Cross Corp	6.3m	584	-20
Sumitomo Mtl Ind	4.1m	310	-4
Clarion	3.3m	640	+20
Daido Steel Sheet	2.6m	1430	+30
NEC Corp	2.6m	1320	
Nippon Credit Bk	2.2m	306	-23
Sumitomo Seika	2.2m	883	-16
NKK Corp	2.2m	285	
Toyota Motor	2.0m	2850	+10

4 pm close November 14

NEW YORK STOCK EXCHANGE PRICES

- A -

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

Continued on next page

NYSE PRICES

4 pm close November 14

Continued from previous page

[illegible]

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
♣ Dealings suspended.

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AMEX PRICES

4 pm close November 14

[illegible]

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
NY TmA	0.56	54	575	36½	36	36¼	+¼
NVR		5	259	9½	9¼	9½	+⅜
Pegasus G	0.10	111	1490	11⅜	11⅛	11⅛	-¼
Perini	0.80	1	150	9	8¾	8¾	-¼
PMC	1.72	11	29	13⅝	13½	13⅝	+⅛
RaganBrad		21	5	31	31	31	
SJW Corp	2.22	7	13	41⅜	41⅛	41⅜	+½
Tab Prods	0.20	13	40	7⅝	7⅝	7⅝	+⅛
TelDData	0.40	16	643	36⅛	35½	35⅞	+¼
Thermedcs		32	378	20¾	20¼	20½	+⅛
Thermolase		28	104	33	32⅝	33	+⅝
TotlPNA	0.30	137	995	9⅝	9⅜	9⅝	+¼
TownCntry		0	5	⅜	d⅜	⅜	
Triton		0	382	u1 1/16	15/16	1 1/16	+⅛
Tubos Mex		6	4381	13	12¾	12⅞	+⅛
UtdFoodsA	0.23	58	15	1¾	1¾	1¾	
UtdFoodsB	0.20	60	4	1 13/16	1 13/16	1 13/16	-1/16
US Cellul		17	506	28⅞	28½	28½	-½
ViacomA		9	1016	38⅛	37¾	37¾	-¼
ViacomB		10	3921	38½	38⅛	38⅜	-½
WRIT	1.12	18	1119	13⅜	13⅛	13¼	-⅛
Xytronix		2	405	1 3/16	d1 1/16	1⅛	-1/16

NASDAQ NATIONAL MARKET

4 pm close November 14

[illegible]

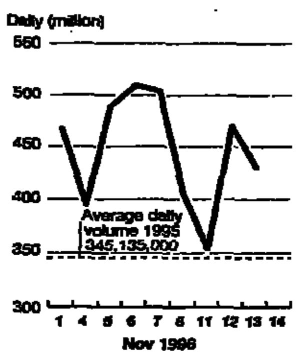
Dow breaks through the 6,300 level

AMERICAS

Blue chip shares in the Dow Jones Industrial Average pierced the 6,300-point level for the first time yesterday as gains in the technology sector helped the market continue its upward march, *writes Lisa Bransten in New York.*

The Dow dipped in early trading, but by 1 pm it was 31.30 stronger at 6,305.54.

NYSE volume



The Standard & Poor's 500 added 3.97 at 735.10, while the American Stock Exchange composite climbed 0.51 at 584.82. Volume on the NYSE was 274m shares.

The Nasdaq composite, which is weighted toward the technology sector, outperformed other indices, rising 9.51, or 0.8 per cent, to 1,270.23 and the Pacific Stock Exchange technology index was 1.7 per cent stronger.

Large-capitalisation companies remained the top performers on the Nasdaq with Intel, Microsoft and Oracle, three of the four largest, leading the way. Intel added $1⅞ at $121, Microsoft, which announced this week that it would split its stock, added a gain of $3⅝ to the $3⅞ it rose on Wednesday bringing the shares to $148⅝, and Oracle added $1¼ at $46⅞.

On the Dow, IBM was among the strongest performers, rising $2¼ at $136⅞.

Other rising shares on the Dow included Philip Morris, up $1⅞ at $101¼, and Goodyear Tire & Rubber, which climbed $1⅛ at $48⅝.

Shares in General Motors' Hughes division were little changed after the company announced a management shake-up amid reports that profits would be below analysts' expectations. Shares in the company, which trade as General Motors class H stock, rose $⅜ at $54⅞. General Motors, which is a component of the Dow, added $⅜ at $55⅝.

Results news moved several retailers. Lands End, the catalogue merchant, added $1⅝, or 7 per cent, at $24⅛ on stronger than expected earnings.

Starbucks, the coffee shops chain, added $2⅞, or 9 per cent, at $34⅞, although its results were in line with expectations.

TORONTO moved higher during the morning, but trading was mostly mixed. At noon, the TSE-300 composite index was 21.96 higher at 5,820.97, but rises and falls among the 14 sub-groups were evenly divided.

Banks rallied, rising 1.3 per cent to turn in the best sector performance. Mining stocks featured at the other end of the charts, notably gold shares which were lagging behind by 1.3 per cent at midsession. The pipeline and forestry sectors were also weak.

Royal Bank of Canada, a weak market over the past few days, recovered 50 cents to C$45.55 while Toronto-Dominion Bank gained 35 cents to C$33.00.

Among industrials, Northern Telecom pushed ahead strongly, adding C$1.60 to C$87.70. Alcan dipped 70 cents to C$46.65 and Seagram shed 30 cents to C$50.20. Imperial Oil put on 10 cents to C$59.20 and Dofasco added 15 cents to C$25.20. Canadian Pacific rose 10 cents to C$35.25.

Buenos Aires upbeat

BUENOS AIRES, a strong market for the past three sessions, continued to gain ground. Brokers said recent upbeat data in the shape of 6.6 per cent economic growth for the third quarter of the year had given sentiment a shot in the arm. At midsession, the Merval index was up 5.08 at 602.13.

MEXICO CITY also moved ahead through the morning, although activity was said to be on the dull side. At midsession, the IPC index was 19.69 higher at 3,420.65.

CARACAS continued to move sideways as brokers ticked off the days to the flotation of CANTV, the state telecoms group. The issue gets underway early next week. At midsession, the IBC index was off 24.03 at 5,915.72.

SAN PAULO traded quietly to close the morning little changed. The Bovespa index was up 15 at 65,725 at the close of the morning session.

South Africa bounces back

Buyers swarmed back into Johannesburg, reversing recent sharp losses with a bounce for share prices which drove the overall index up by 60.6 to 6,815.9 in active turnover.

"Much of the recent downside has been futures-led. Today it's been the time to step back in," said one broker.

The industrial index gained *66.1* to 7,980.2 and golds put on 31.7 to 1,743.6.

Brokers said that market worries about interest rates were starting to show signs of fading. They added that foreign buyers were very visible during the session.

Anglo American gained 75 cents to R269.25, Amic jumped R3.50 to R161 and Nedcor rose R2.25 to R67. Among golds, Vaal Reefs surged R8.50 to R361 and Freegold rose R1.20 to R42.70 *after the bullion* price held above $383.

Frankfurt at peak in rumour driven trade

EUROPE

Bank shares swept the board in FRANKFURT where a steep rise for Commerzbank fuelled all sorts of rumours and helped underpin a strong day for the sector.

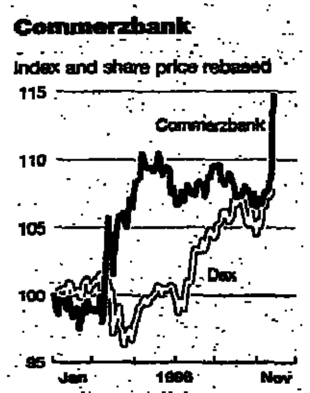
Commerzbank, the smallest of Germany's big three banks, moved up rapidly from the opening bell and racked up turnover of 1m shares in the first hour of trading.

Most analysts found the idea of Commerzbank as a bid prospect hard to accept, but agreed that the bank, which vied with Merrill Lynch last year in the race for Smith New Court of the UK, might be set to spring a big deal of its own.

Others suggested that German banks had come in for a re-rating ahead of the fees that the sector stood to earn from the Deutsche Telekom flotation and as investor enthusiasm for cyclicals showed signs of waning.

Commerzbank did its best to quash the rumours. It pointed to a recent upbeat analysts' meeting and said that talk of a single large buyer in the market was entirely misplaced.

At all events, the shares jumped almost 4 per cent, closing up DM1.35 at DM36.65 for a four-day gain of 7 per cent. Both Deutsche Bank and Dresdner rose more than 2 per cent, gaining DM1.55 to DM72.20 and DM1.05 to DM44.40, respectively.



Veba ran into profit-taking after Wednesday's strong advance, dipping DM2.15 to DM86.40, and although the Dax moved to a new peak, the day's action outside the financials was mostly mixed.

At the close, the Dax stood at a second consecutive all-time high, up 13.78 at an Ibis-indicated 2,784.39.

PARIS edged ahead thanks to a dramatic surge at UAP which shot up more than 16 per cent on its plans to merge Axa, the rival insurance group.

Axa came off FFr12 to FFr306.5 when dealings in the two stocks resumed yesterday. UAP, effectively being absorbed by Axa, jumped FFr19.1 to FFr136 after touching a high of FFr137.

Combined volume in the two stocks was 20.6m shares and this set the tone for an active session within the financial sectors.

CCF added 50 centimes to FFr249.3 on continued rumours linking it to *Société Générale* or BNP, while Paribas, up FFr4 at FFr351, was also buoyed by bid speculation. BNP fell FFr2.90 to FFr209.8 and SocGen came off FFr10 to FFr570.

Among industrials, Pechiney fell almost 6 per cent after a profits warning which suggested that the metals group could move into the red for the second half of 1996. It ended off FFr13.2 at FFr208.8.

The CAC-40 index ended 0.99 higher at 2,218.18.

HELSINKI closed a lively session at a record high, led by a sharp rise in Nokia. While the group's nine-month figures proved in line with expectations, analysts noted that strong growth in mobile phones sales in the third quarter had given a fillip to investors' confidence.

Nokia A shares rose FM22.50 to FM249.50, their highest for almost 13 months, after an intraday record high of FM254. The Hex index surged 75.07, or 3.3 per cent, to 2,338.39, off a day's best of 2,349.57.

FTSE Actuaries Share Indices

Nov 14						THE EUROPEAN SERIES		
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	1806.90	1808.29	1808.24	1809.08	1809.55	1810.73	1810.66	1811.76
FTSE Eurotrack 200	1848.72	1849.99	1847.13	1850.09	1849.90	1851.41	1851.40	1852.59

	Nov 13	Nov 12	Nov 11	Nov 8	Nov 7
FTSE Eurotrack 100	1799.36	1793.69	1786.58	1787.53	1776.72
FTSE Eurotrack 200	1843.48	1839.62	1828.07	1833.14	1824.37

Base value 1000 (26/10/90); Highday: 100 - 1812.78; 200 - 1853.75 Lowday: 100 - 1806.31 200 - 1846.87. † Partial.

The upbeat mood spilled over to STOCKHOLM, where Nokia's results lent support to Ericsson. The Affärsvärlden index closed 36.4 up at a record 2,222.8 as Ericsson climbed SKr12 to a peak of SKr205.

Shares in Marieberg, suspended as the company announced the sale of 50 per cent of its disposable tableware business Dini, were marked higher when trading resumed. By the close, Marieberg was SKr7 ahead at SKr180.

ZURICH marched smartly higher into record territory, boosted by early strength in financials and a late rally in the dollar. Turnover rose sharply to SFr1.7bn as domestic and foreign investors stepped up demand in *response to a number of* recent analysts' upgrades. The SMI index finished 30.6 higher at 3,856.30.

Among the banks, CS Holding jumped SFr3.75 to SFr132.50 in turnover that increased threefold compared with normal trading days amid rumours that the bank was planning closer links with Commerzbank or Winterthur.

Winterthur itself rose SFr13 to SFr777 as Winterthur-Europe confirmed that a news conference planned for Monday would bring details of a co-operation pact with Josi, the Belgian family-controlled insurer. The Swiss insurer was also supported by speculation that it might sell its 2.5 per cent stake in France's UAP, although Winterthur said that no decision had been taken.

Against the trend, Swissair dropped SFr15 to SFr1,004 as UBS cut its earnings forecasts and reduced its recommendation on the stock.

AMSTERDAM notched up another new high, although trading was narrow and volume dull. The AEX ended up 2.89 at 604.91.

Financials remained in demand, Aegon continued to move higher ahead of today's nine-month results, adding 10 cents to Fl94.80.

ING gained 80 cents to Fl58.20 and *ABN Amro Fl1* to Fl102.60.

MILAN moved ahead as *insurers stepped into the spotlight on speculation* about a restructuring of the *industry. The Comit index* rose 5.56 to 644.33, helped by surging Btp futures which *saw late profit-taking after* posting all-time highs.

Among insurers, SAI rose L792 to L13,105, Fondiaria L252 to L5,860 and Generali L880 to L31,460.

Olivetti finished L29.1 higher at 537.1 amid reports that talks with Klesch of the UK over the sale of its loss-making personal computer division had been frozen in favour of a better offer.

Tim, the mobile telephone operator, eased L15 to L4,477 after the posts and telecommunications minister said he did not rule out that the company might be included in the planned Stet-Telecom Italia merger. Stet rose L183 to L6,174 and TI was L90 higher at L3,473.

ATHENS *fell* 3.3 per cent in the first full session since the bourse stopped trading *last Thursday following a* broking failure.

The general index moved close to the low of 872.99 touched in August, falling 30.04 at 878.38.

Written and edited by Michael Morgan and Jeffrey Brown

Hang Seng beats 13,000 to set fresh record

ASIA PACIFIC

Optimism about interest rates and the outlook for the *property market drove* HONG KONG's Hang Seng index to its first ever close above 13,000 points. The index finished 61.11 higher at 13,004.80 after a record intraday high at 13,009.74 in turnover that picked up to HK$8.2bn.

Analysts noted that Wednesday's government land auction, which achieved results well above expectations, had revived optimism about the outlook for the property market.

Sun Hung Kai Properties led the gains, rising HK$2.25 to HK$92. Cheung Kong rose 75 cents to *HK$67* and Henderson Land advanced 25 cents to HK$71.50.

TOKYO continued its slow roller-coaster ride, posting a modest rebound after the previous day's losses in another thin session, *writes Gwen Robinson.*

The Nikkei 225 average added 51.60 to 21,031.04 after moving between 20,935.92 and 21,084.05. Investors remained impervious to overnight peaks on Wall Street and, with little incentive to take positions either way, volume fell to an estimated 248m shares from Wednesday's 314m.

The broader Topix index of all first-section stocks rose 2.07 to 1,569.85 and the capital-weighted Nikkei 300 gained 0.70 to 294.84. Declining issues led advances 548 to with 209 unchanged.

In London, the ISE/Nikkei 50 index moved up 1.31 to 1,441.30.

Traders expressed the hope that today's outpouring of interim results may encourage selective buying and generate fresh momentum. Among more than 200 companies due to announce results today are construc*tion groups, some* car makers, Pioneer Electronic and Sega Enterprises.

Yesterday's results included KDD, Japan's leading international telecommunications carrier, which fell Y170 to Y9,260 on poor first-half earnings. Sanyo Electric rose Y7 to Y548 on its better than expected report. Ricoh, the office automation equipment maker, advanced Y20 to Y1,170 on the previous day's report of a 25.1 per cent increase in its interim recurring profits.

Bargain hunters focused on export-oriented international blue chips in spite of the firmness of the yen against the dollar. Toyota Motor gained Y10 to Y2,850 and Honda Motor, which is due to report interims today, added Y7 to Y810. Sony jumped Y50 to Y6,950 and Hitachi rose Y10 to Y1,030.

*Green Cross, the pharma*ceutical company embroiled in the controversy over HIV-tainted blood products, fell Y20 to Y584 after three consecutive days of gains on reports that Sakura Bank would finance the group's restructuring plan.

In Osaka, the OSE average fell 38.75 to 21,550.60 in volume of 30.3m shares.

SYDNEY pushed ahead strongly with sharp gains among resource leaders offsetting a dull day for the banking sector. At the close, the All Ordinaries index was up 15.6 at 2,362.5.

BHP gained 2.6 per cent, rising 43 cents to A$17.21 on 6.1m shares. WMC jumped 3.3 per cent, closing 25 cents higher at A$7.73 and CRA added 18 cents to A$19.18. MIM, buoyed by an upbeat annual meeting, improved 3 cents to A$1.63.

Banks lost ground as investors shied away following earnings downgrades for the sector. NAB eased 1 cent to A$13.75 and ANZ 4 cents to A$7.34. Both banks report results next week.

Westpac shed 8 cents to A$6.98 and Commonwealth Bank 7 cents to A$11.63. *News Corp continued to* weaken, dipping a further 6 cents to A$6.74.

SINGAPORE rose 2 per cent on renewed fund buying of blue chips in anticipation of economic recovery next year. The Straits Times Industrial index jumped 43.26 to 2,189.76 in hectic volume of 232.9m shares.

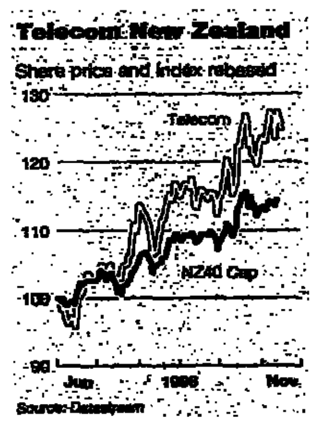
The newly listed FJ Benjamin ended sharply higher at S$1.19 against its offer price of 80 cents.

KUALA LUMPUR's blue chips staged a rebound late in the day which took the composite index up 5.91 to a closing 1,189.43.

Westmont Industries was the day's highest climber, gaining 86 cents, or 21 per cent, to M$4.90 on rumours that a director might be about to sell a part of his stake in the company.

SEOUL once again fell prey to worries over the market's future direction and the composite index closed 4.29 lower at 743.08. Brokers said the government's announcement that it was against the construction of a new integrated steel mill by the Hyundai Group would dampen sentiment further today.

WELLINGTON closed slightly higher, but off its best, after dull results from NZ Telecom. The 40 capital index, up 27.13 at one stage, ended 1.23 better at 2,344.17.



There was solid buying of Telecom ahead of the result and equally heavy selling after the numbers, which came in at the bottom end of the forecast range according to brokers. The company's plan for a NZ$1bn share buy-back was also seen as disappointing.

At the close, the shares were off 15 cents at NZ$7.47 after touching NZ$7.75 during pre-results trading. Volume rose to 9.1m shares.

BANGKOK continued to advance in active trade ahead of Sunday's general election. Financial stocks led the way and at the close the SET index was up 1.1 per cent at 990.62, a gain of 76.69.

Foreign buying was described as heavy with brokers reporting strong demand from Hong Kong and Singapore.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	WEDNESDAY NOVEMBER 13 1996								TUESDAY NOVEMBER 12 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (78)	210.94	0.2	189.17	148.83	165.24	178.05	0.2	4.29	210.46	189.49	148.12	164.03	177.75	216.14	179.98	181.75
Austria (24)	182.80	-0.3	163.94	128.98	143.20	143.12	0.2	1.97	183.29	165.03	128.99	142.85	142.77	195.04	168.36	169.88
Belgium (27)	224.96	-0.2	201.75	158.73	176.23	172.32	0.3	3.87	225.48	203.01	158.68	175.73	171.76	225.48	193.77	193.77
Brazil (28)	180.37	0.7	161.75	127.26	141.29	341.96	0.5	1.79	179.13	161.28	126.06	139.61	340.17	189.70	123.97	123.97
Canada (116)	190.25	-0.1	170.62	134.23	149.04	183.64	-0.3	1.97	190.53	171.55	134.09	148.49	184.16	190.63	143.76	145.88
Denmark (30)	335.46	-0.4	300.85	236.69	262.79	264.16	0.1	1.74	336.86	303.30	237.07	262.53	263.99	336.86	276.89	279.25
Finland (24)	224.21	-0.6	201.07	158.19	175.63	213.46	-0.3	2.35	225.45	202.96	158.66	175.70	214.02	225.45	171.73	224.52
France (93)	209.53	-0.9	187.91	147.84	164.14	167.49	-0.5	2.90	211.40	190.34	148.77	164.76	168.18	211.40	167.70	176.70
Germany (58)	187.58	0.9	168.22	132.35	146.94	146.94	1.4	1.71	185.93	167.40	130.86	144.90	144.90	187.58	158.00	158.00
Hong Kong (59)	483.17	1.0	433.31	340.91	378.50	479.65	1.1	3.22	478.19	430.55	336.53	372.69	474.66	483.17	354.67	380.18
Indonesia (27)	214.38	-0.2	192.26	151.26	167.94	307.09	-0.3	1.64	214.81	193.41	151.18	167.42	307.95	-	-	-
Ireland (16)	318.38	0.2	285.52	224.63	249.40	270.82	-0.1	3.32	317.83	286.17	223.69	247.71	271.08	319.32	247.16	247.16
Italy (58)	80.51	-0.5	72.20	56.80	63.07	91.19	-0.1	2.27	80.88	72.82	56.92	63.03	91.32	84.53	67.22	69.40
Japan (480)	141.99	-0.9	127.34	100.18	111.23	100.18	-0.6	0.77	143.22	128.95	100.79	111.62	100.79	164.68	137.62	141.07
Malaysia (107)	580.55	-0.5	520.64	409.61	454.78	564.52	-0.3	1.10	583.21	525.10	410.44	454.53	566.50	587.74	425.77	426.07
Mexico (27)	1225.46	0.6	1099.01	864.64	959.98	10813.67	0.7	1.23	1218.10	1096.74	857.25	949.34	10541.90	1325.65	791.99	832.22
Netherland (19)	317.70	-0.1	284.92	224.16	248.87	245.17	0.5	3.01	317.93	286.26	223.75	247.78	243.97	317.93	254.68	254.68
New Zealand (15)	92.49	1.1	82.95	65.26	72.45	69.13	0.9	3.97	91.46	82.35	64.36	71.28	68.49	94.35	75.94	80.99
Norway (35)	274.36	-0.4	246.05	193.58	214.93	235.44	-0.1	2.16	275.53	248.08	193.91	214.74	235.68	275.53	222.24	224.96
Philippines (22)	193.46	-0.1	173.49	136.50	151.55	253.32	-0.1	0.63	193.55	174.27	136.21	150.84	253.44	-	-	-
Singapore (43)	403.46	1.0	361.83	284.67	316.06	260.61	1.1	1.03	398.63	358.92	281.24	311.46	257.90	465.21	361.94	362.07
South Africa (44)	323.26	-0.4	289.90	228.08	253.23	331.19	-0.1	2.34	324.55	292.21	228.40	252.94	331.66	437.76	314.20	376.45
Spain (37)	194.83	-0.1	174.72	137.46	152.62	187.23	0.3	3.19	195.07	175.64	137.28	152.03	186.71	195.07	148.39	148.39
Sweden (48)	394.03	-0.2	353.37	278.01	308.67	387.93	0.3	2.20	394.87	355.53	277.89	307.74	386.71	400.14	294.19	304.13
Switzerland (37)	245.76	-0.8	220.40	173.40	192.52	193.38	-0.1	1.53	247.60	222.94	174.25	192.97	193.49	254.34	219.29	223.23
Thailand (45)	124.97	3.2	112.07	88.17	97.90	123.37	3.3	2.78	121.09	109.02	85.22	94.37	119.47	193.85	112.17	149.91
United Kingdom (213)	261.63	0.3	234.63	184.60	204.95	234.63	-0.1	4.04	260.96	234.96	183.65	203.38	234.96	261.63	222.29	222.29
USA (624)	297.40	0.2	266.71	209.83	232.97	297.40	0.2	2.01	296.77	267.20	208.85	231.29	296.77	297.62	241.36	242.41
Americas (795)	272.30	0.2	244.20	192.12	213.31	228.61	0.2	2.00	271.75	244.68	191.25	211.79	228.37	272.51	219.58	220.62
Europe (719)	228.48	0.0	204.91	161.21	178.99	194.31	0.1	2.97	228.56	205.79	160.85	178.13	194.05	228.56	193.02	193.02
Nordic (137)	338.64	-0.3	303.70	238.93	265.28	291.18	0.2	2.14	339.70	305.86	239.07	264.75	290.73	339.70	261.13	276.61
Pacific Basin (876)	158.45	-0.6	142.10	111.80	124.12	113.35	-0.3	1.23	159.32	143.44	112.12	124.17	113.75	177.01	150.59	150.87
Euro-Pacific (1595)	187.51	-0.3	168.16	132.30	146.89	143.87	-0.1	2.12	188.05	169.31	132.34	146.56	144.01	190.57	168.34	168.34
North America (740)	291.04	0.2	261.01	205.35	227.99	289.93	0.2	2.01	290.48	261.54	204.43	226.39	289.39	291.27	235.97	236.44
Europe Ex. UK (506)	205.53	-0.2	184.33	145.02	161.01	169.70	0.3	2.36	205.85	185.43	144.94	160.51	169.20	205.85	173.04	173.04
Pacific Ex. Japan (396)	303.26	0.5	271.97	213.97	237.56	262.06	0.6	2.83	301.63	271.68	212.27	235.08	260.63	303.26	243.59	244.66
World Ex. US (1810)	189.58	-0.3	170.02	133.76	148.51	149.17	-0.1	2.11	190.09	171.15	133.78	148.15	149.32	191.55	169.39	169.39
World Ex. UK (2221)	219.74	-0.1	197.06	155.04	172.13	187.36	0.1	1.95	219.94	198.02	154.78	171.41	187.28	219.94	188.74	188.87
World Ex. Japan (1954)	266.46	0.1	238.96	188.00	208.73	250.09	0.2	2.38	266.08	239.57	187.26	207.37	249.59	266.46	219.88	220.03
The World Index (2434)	223.35	-0.1	200.31	157.59	174.97	191.76	0.0	2.06	223.48	201.22	157.26	174.17	191.68	223.48	191.79	191.79

Latest prices were unavailable for this edition.

RECRUITMENT

But individual performance will determine the size of the payout, warns **Richard Donkin**

A sparkling bonus in prospect

It is the time of year when ministers are emerging from Treasury meetings – rubbing their hands with glee or with heads bowed according to their success in negotiations over their departments' budget allocation. The outcome often depends as much on political clout or news priorities as the merits of more or less spending in any part of Whitehall.

Something similar is also happening in City banks and stockbrokers as business heads lobby for the annual bonuses. According to Martin Krajewski, managing director of Joslin Rowe, recruitment consultants in banking and finance, it is just as difficult to find any clarity in the way that bonuses are allocated.

"If you work in one of the American houses it pays to get an aeroplane to New York and walk the corridors to get yourself noticed," he says. "If you leave lots of memos talking about the good things you've done and your proposals and forecasts for the next year you have a good chance of getting your bonus figure up."

Dealers tend to look back upon their annual bonus payments in the same way that wine connoisseurs would assess a fine claret. They still speak of 1993 as a vintage year, for example, while 1994 was *vin du pays* in comparison as markets toughened around the world.

There followed a good year in 1995, spoiled slightly by a less than sparkling final quarter. With a need to invest in technology and risk management, bonuses in some of the smaller City firms ended up lower than some dealers had expected.

Krajewski believes this year will be considered *premier cru*, particularly among leading companies. But he warns that because many employers have developed more sophisticated appraisal systems, bonuses are likely to vary much more between individuals to reflect performance. Those in corporate finance and mergers and acquisitions, he says, have had good trading conditions while those dealing in derivatives and foreign exchange have had a tougher year.

Employees are still in a buyer's market, according to Krajewski – reflected in the increase in the practice of guaranteeing bonuses when poaching senior staff from another employer. "Some are even guaranteeing two years' bonuses and that is having the effect of setting a precedent for other people on the same level," he says.

David Morgan, editor of City HR review, says he expects larger proportions of bonuses to be paid in shares this year. These share bonuses cannot be cashed in immediately: the idea is to build in some employee loyalty – though companies intent on poaching staff with such bonuses simply buy out the value of the stock.

Morgan also thinks that bonuses will be high in areas such as mergers and acquisitions. Elsewhere he does not expect much higher bonuses than last year because City firms are continuing to invest in building teams.

A feint ruling

The UK government yesterday expressed predictable anger at the verdict of the European Court of Justice on the implementation of the 48-hour week. But a session at the recent annual conference of the Institute of Personnel and Development suggested that the impact will not be cataclysmic – at least on large companies.

During the session, personnel managers were asked whether they had done any preparation or reading for the 48-hour week. Only a handful had.

Of far greater concern to the personnel people was the future of their own careers. When asked if they feared for their job in the next year a majority of the close-on 400 people said that they did.

Swiss top league

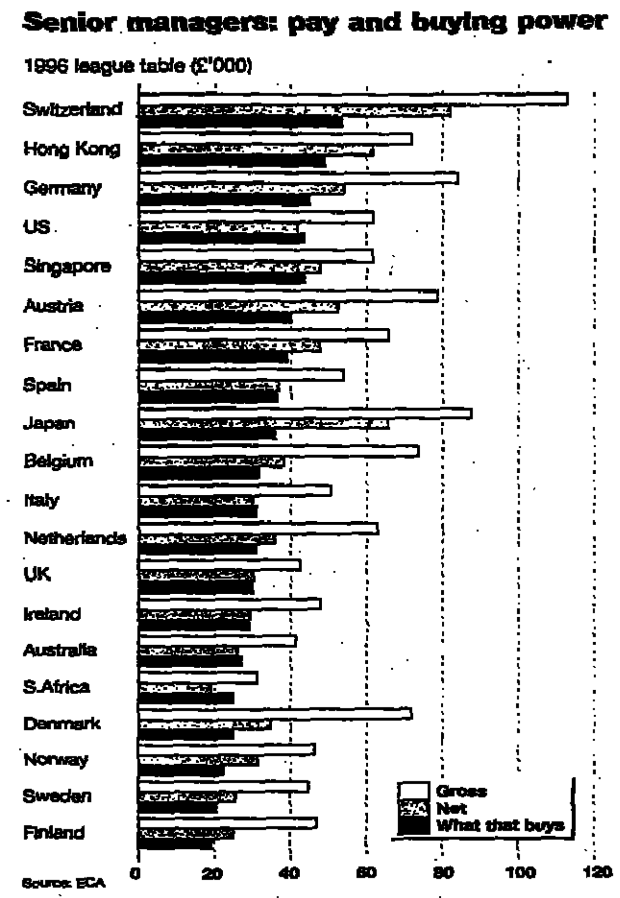
Switzerland has regained its position at the head of the salary buying-power league assembled here from executive pay statistics supplied by ECA International, a consultancy which provides pay and cost-of-living data in different parts of the world.

The table, drawn from its annual Inter Country Executive Remuneration Comparison, shows the relative purchasing power of local national managers in 20 countries, from junior to senior levels. All salaries in the report have been adjusted for local tax rates and cost of living differentials and converted into sterling for ease of comparison.

The survey shows managers in Finland, Norway and Denmark have the least purchasing power because of high income taxes and living costs. Those in Switzerland, Hong Kong, Germany and the US have the most.

A senior manager in Denmark, for example, with a gross salary equivalent to £72,000, would have a purchasing power of only £25,000 after tax and adjustments for cost of living. A senior manager with a similar job in the US would earn a gross salary equivalent to £62,000 and have a purchasing power of £44,000 once tax and cost of living have been accounted for. UK managers have the lowest gross salaries in Europe.

Inter Country Executive Remuneration Comparison is published by ECA International, Anchor House, 15 Britten Street, London SW3 3TY, tel 0171 351 5000, price £500.



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- Adaptability, creativity and cross cultural skills are essential prerequisites.

Please send your CV with current salary details to: Fiona Jobson, K/F Selection, 252 Regent Street, London W1R 6HL, quoting ref: 6806/B. Alternatively send by fax on 0171-312 0020 or by e-mail to cv@kfselection.com Internet Home Page: http://www.kfselection.com

K/F SELECTION

A DIVISION OF KORN/FERRY INTERNATIONAL

HIGH PROFILE PROJECT FINANCE ROLE

c£80k + benefits

THE COMPANY

One of the largest international banks in the world, currently rated amongst the top 5 arrangers in the International Project Finance Market has business focused in the Power, Oil and Gas, Telecoms and Infrastructure sectors.
The London team has specific marketing and transaction responsibility for the UK, European and Middle East regions and also develops business prospects elsewhere in the world using a global branch network. Due to their recent successes and expanding activity the Bank is to appoint an additional Senior Manager with proven project finance experience in arranging power transactions.

THE POSITION

Reporting to the Head of Project Finance your remit will be to assume marketing and credit responsibility for existing and new business specifically in the power sector, to take on and extend client relationships and to broaden the spread of activities.

THE CANDIDATE

You will be a high achieving graduate professional with a demonstrable track record in various aspects of project finance who possesses strong analytical and structuring abilities, computer modelling techniques and excellent negotiation, communication and personnel management skills.
Candidates currently earning less than £60k pa are unlikely to have the necessary depth of experience required.

FINSBURY CONSULTING LIMITED

Please send CV in strictest confidence to Anne Langdon at:
Finsbury Consulting Limited, 16 City Road, London EC1Y 2AA
Tel: 0171 628 9421 Fax: 0171 256 9279

MARKETING DIRECTOR

INTERNATIONAL ROLE

London **Substantial Package**

FTSE International is a small, fast growing company which specialises in the calculation of share indices. The company has established a strong reputation for quality and reliability and is now looking for a strategically driven marketing professional to help grow the business.

This is a Board level appointment. Reporting to the Managing Director you will be responsible for:

- quantifying and qualifying market opportunities;
- packaging of products;
- enhancing brand value; and
- developing positive client relationships.

You must have a proven record of achievement, be capable of delivering innovative yet practical solutions and have the ability to decide what is important and to make it happen. Hands-on, you will be creative, ambitious and determined to succeed.

Interested candidates should write with full CV, quoting current compensation to:

Paul Grimes
FTSE International Limited
St. Alphage House
2 Fore Street
Podium Floor
LONDON EC2Y 5DA

FTSE INTERNATIONAL

adidas

International Information Technology Manager

adidas, a DM 3.5 billion company, and one of the world's foremost marketers of sports clothing and footwear, is seeking a high calibre personality to join our IT department.

Leading a team of experts, you will be responsible for developing and determining the global strategic direction of IT. You will report to the Chief Financial Officer. You will manage a substantial IT budget and you will serve the needs of each individual business unit by liaising with the relevant administrative bodies within the whole company. You will conduct feasibility studies and cost/benefit analysis, including complete project planning, which you will present successfully in the relevant determining bodies.

Needless to say, these overall responsibilities include the general supervising of each individual project initiating the fine tuning of planning procedures, plus the buying of suitable IT hardware and services.

For this challenging management task, we are seeking to make contact with an internationally orientated professional with leadership experience and charisma.
You hold an excellent technical or business orientated degree or diploma and have outstanding interpersonal skills. You have extensive experience in all facets of IT within an international environment, a proven track record in project management, and a deep understanding of systems architectures, development standards and methods.
You are between 35 and 45 years old. Excellent German and English is essential; additional languages would be an advantage. If you are highly self-motivated and willing to occasionally serve as a trouble-shooter, this position gives you ample opportunities to develop your creative skills. Remuneration is in accordance with the importance and standing of this position, which is available at short notice.

Please direct your informal enquiries or your application plus full CV in English to

adidas AG
Human Resources, Karin Sonn
Adi-Dassler-Straße 1 - 2 , P.O. Box 1120
D - 91072 Herzogenaurach

ROYAL BANK OF CANADA

PORTFOLIO MANAGER, EUROPEAN EQUITIES

RT Global Investment Group, a wholly owned unit of Royal Bank of Canada, is seeking a Portfolio Manager, European Equities to join a new team to be based in London. Reporting to the Chief Investment Officer, and supported by a Research Analyst, the role will provide equity portfolio management on RT Global Investment Group account mandates. The incumbent will be expected to contribute to RT Global Investment Group's overall global fund management capabilities as well as fulfilling communications responsibilities as required as per the service contracts with clients.

The ideal candidate will possess the following skills/knowledge:-

- Be an Associate Member of IMMR or equivalent professional qualification, and be threshold competent (IMRO)
- Experience as a successful Portfolio Manager, possessing a proven track record
- Thorough knowledge of regional and/or local financial markets and economic disciplines
- Proven analysis skills as it relates to securities and industry research
- Superior communication, presentation and inter-personal skills
- Strong computer literacy is a pre-requisite for the position
- Essential qualities are self-confidence, flexibility, a commercial approach plus the ability to work effectively as part of a small team working closely together.

Full CV applications, which will be treated in strictest confidence, should be forwarded with details of your current financial package, and any relevant performance data to:

Mrs. Sally Brothwell
Assistant Manager
Human Resource Services
Royal Bank of Canada
71/71A Queen Victoria Street
London EC4V 4DE

Closing date for applications is November 22. A competitive salary, to include bonus and attractive banking benefits, is available to the ideal candidate.

Senior Consulting Professionals

Financial Services

London Based **Global Reach**

Founded in 1926, AT Kearney has become one of the few truly global management consultancy firms. With offices in 30 countries and c4,000 employees, AT Kearney's mission as a world leader is to deliver unique insights, superior results and powerful contributions to help their clients address the evolving challenges of the global economy. Commitment to delivering tangible, measurable results has led to more than a decade of continuous double digit growth.

The AT Kearney Financial Institutions Group (FIG) currently comprises around 400 Consultants worldwide and is represented in all major financial centres across the globe. The London based team serves leading clients in the following sectors:

- Retail Financial Services
- Capital Markets
- Insurance

FIG provides its clients with integrated teams that balance strategic insight, operational effectiveness and implementation expertise with the benefits of sophisticated technology.

We are seeking candidates at managerial level, to lead the next phase of our growth in providing consultancy services to blue chip financial institutions, including the provision of both strategic direction and operational advice. A key driver is to ensure that clients benefit from tangible added value, from the initial strategic vision through to implementation.

We recruit individuals who continually strive to achieve excellence in all they do. Your profile should therefore include the following:

- A strong academic record, ideally including an MBA or second degree.
- Currently working at senior level within a major international consulting firm, with a minimum of five years consulting experience.
- In depth knowledge of the Financial Services sector.
- Client relationship management and outstanding engagement delivery experience.
- Personal flexibility to ensure success in a challenging and demanding environment.

In addition, fluency in a second European language would be a distinct asset. The extremely competitive package offered by AT Kearney underlines the importance we attach to our people.

If you are excited by the opportunity and believe you can add value in this professional and intellectually demanding environment, please forward a comprehensive CV quoting reference 315900 to Kate Mulhall or Diane Forrester at Michael Page Consultancy, Page House, 39-41 Parker Street, London WC2B 5LH. Alternatively E-mail us on caroline@michaelpage.com (Word only), or via the Internet on http://taps.com/Michael_Page.

Michael Page Consultancy
Specialist Recruitment Consultants

http://taps.com

UK Corporate Marketing

to combine strategic planning with strong credit skills

City based

Dao Heng Bank (London) Plc, relatively small in London but part of the globally strong Guoco Group, specialises in Trade Finance and is committed to expansion by developing a broader client involvement and optimising opportunities within the group structure.

We are looking for an experienced marketeer who can demonstrate a successful track record in the mid-size corporate arena together with strong credit skills. The vision and verve to create a strategy and then implement it are crucial.

Ideal candidates, probably ACIBs and possibly with a further marketing qualification, will have first class people management skills and the ability to relate to different cultures at all levels. Flexibility, confidence without arrogance and a willingness to take substantial autonomy are all important factors.

The salary/benefits package is flexible enough to appeal to the best.

Please send full career details to our retained consultant Malcolm Lawson (to whom direct applications will be forwarded) at:

Exchange Consulting Group, 13 St Swithin's Lane, London EC4N 8AL

Tel: 0171 929 2383 Fax: 0171 929 2805

EXCHANGE
Consulting Group

BUSINESS MANAGER

Merrill Lynch, one of the world's leading investment banks, is looking to appoint a Business Manager for its London Equity Research department.

Working closely with the Head of Research, the individual will be responsible for the day to day administration of the research department in London as well as liaison with other departments and overseas offices.

Qualifications for this high profile role would include five to ten years experience either in a similar role in the securities industry, or in a services business.

The successful candidate will have the personality to mix with both research analysts and support staff. A proven expertise in human resources, general administration and finance is necessary, while an understanding of desk top publishing would be an advantage.

An attractive compensation package will reflect the importance attached to this position.

If you think you have the drive and commitment required to meet this challenge please send your cv together with details of your current compensation package to:

Mike Clyne, Personnel Officer
20 Farringdon Road, London EC1M 3NH
or via e-mail: mclyne@banmail.ml.com

Merrill Lynch
A tradition of trust.

ALPHA ΤΡΑΠΕΖΑ ΠΙΣΤΕΩΣ

ΣΤΕΛΕΧΗ ΓΙΑ ΤΟ ΝΑΥΤΙΛΙΑΚΟ ΚΑΤΑΣΤΗΜΑ

Η Alpha Τράπεζα Πίστεως, προκειμένου να επεκτείνει τις εργασίες της στον τομέα της ναυτιλίας, ιδρύει Ναυτιλιακό Κατάστημα στον Πειραιά.

Τραπεζικά στελέχη που ενδιαφέρονται για τη θέση του Διευθυντού πρέπει να έχουν εργασθεί μετά τις πανεπιστημιακές ή μεταπτυχιακές σπουδές τους, για διάστημα τουλάχιστον δέκα ετών, σε ναυτιλιακές υπηρεσίες τραπέζης του εσωτερικού ή του εξωτερικού.

Παρακαλούμε τα βιογραφικά σημειώματα, για τα οποία θα τηρηθεί απόλυτη εχεμύθεια, να σταλούν, μέχρι 30.11.96, στη Γενική Διεύθυνση της Τραπέζης, Σταδίου 40, 102 52 Αθήναι.

ASIAN EMERGING MARKETS

The opportunity for an economist to become the Asia strategist at a leading investment management house

In this newly created position your economic research and strategic advice on Asian markets will inform asset allocation decisions on our client's flagship global emerging market products.

Our client's investment approach is to manage funds actively, based on an understanding of economic fundamentals. Your perspective on Asian markets, based on country specific macro-economic research and sector and industry forecasting, will provide this understanding. The company has funds under management in actively managed global emerging markets in excess of $1 billion. It has established an excellent performance record in this product, and substantial new funds under management are now being attracted.

You may currently be working as an economist or strategist with a broker, or could already be working for a fund manager. What matters is that you have up to date knowledge of economic activity in the following countries: Thailand, Singapore, Hong Kong, Indonesia, Malaysia, the Philippines, China and Korea. It is not essential that you should be covering all of these at present, but you must have obtained good knowledge of the region's economy, backed by an understanding of economics based upon a relevant degree.

The appointment offers a full and competitive package of salary and benefits. Above all it provides the opportunity to become the Asian market strategist in a world class investment management business.

To apply please write with full CV to: **Andrew Dawson, John Sears & Associates, 2 Queen Anne's Gate Buildings, Dartmouth Street, London SW1H 9BP. Tel: 0171 222 7733 or Fax: 0171 222 3445. E-Mail: adawson@smcl.com.**

John Sears and Associates
Executive Search & Selection in Investment Management
A MEMBER OF THE SMCL GROUP

The new Monday Accountancy Appointments section appears every Monday, and carries vacancies with salaries under £34,000 p.a.
If you have any queries regarding advertising in this section please contact: Dominic Knowlson
Tel: 0171 873 3694 Fax: 0171 873 4331 E-mail: dominic.knowlson@ft.com

Attractive package + expatriate benefits — *Asian Investment Bank* — *Hong Kong*

Corporate Finance, South East Asia

Exciting opportunity to join this leading full service investment bank, based in Hong Kong with offices in 16 Asian countries. It is the most successful manager and distributor of globally offered Asian securities. Its international equity offerings team is responsible for transactions for all issuers in the Asian region except Greater China. The bank seeks an Assistant Director to join this expanding team based in Hong Kong. Excellent opportunity for rapid career progression.

THE ROLE

- Responsible to the Directors of the international equity offerings team for leading the execution of equity and equity-linked capital raising mandates throughout the Asian region.
- Coordinate the structuring, due diligence, documentation, overall deal management and client liaison.
- Involvement in client marketing and development in Asia.

THE QUALIFICATIONS

- Aged late 20s to early 30s. High achieving corporate finance professional with a strong record in investment banking. Academic strengths, preferably an accountant, lawyer or MBA. Previous Asian experience helpful, not essential.
- Experience of international equity/equity-linked capital raising transactions. Thorough knowledge of major products including their structure and pricing.
- Strong analytical and communication skills. Able to run transactions on a day-to-day basis. Maturity and stature to represent the bank at a senior level. Team player.

Leeds 0113 230 7774
London 0171 298 3333
Manchester 0161 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to: Selector Europe, Ref. XPW0321161, 16 Connaught Place, London W2 2ED

Excellent package — *Investment Banking Partnership* — *City*

Head of Operations and Administration

Unique opportunity for a bright commercial manager in the securities industry to join a successful, entrepreneurial, well-capitalised investment bank. The firm is one of the market leaders specialising in the countries of Latin America, and is now expanding its niche operations in London and New York. This privately owned bank was founded in 1983 and continues to be run as a small, highly profitable partnership. This is a critical appointment for the firm in fulfilling its international aspirations.

THE ROLE

- Create and implement a business plan to establish a secure infrastructure to support the disciplines of securities and corporate finance advisory, reporting to the Chairman of the international business.
- Handle all aspects of financial reporting and information management, to include meeting the necessary regulatory requirements and managing the relationship with Head Office and the New York operation.
- Play a role in starting a new venture for the partnership, maintaining a strong awareness of all strategic and financial issues.

THE QUALIFICATIONS

- Graduate, preferably aged over 30 and ACA qualified, with a minimum of five years' experience in a securities firm in a finance or operations role. Portuguese or Spanish language skills beneficial.
- Sound financial management skills combined with experience of SFA regulatory requirements. Broad knowledge of operations, systems and administration in a securities firm.
- Mature outlook capable of setting own agenda and ready to build a business. Strong communicator keen to work in a partnership culture. Sound project manager who can prioritise and deliver solutions.

Leeds 0113 230 7774
London 0171 298 3333
Manchester 0161 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to: Selector Europe, Ref. F7030116I, 16 Connaught Place, London W2 2ED

... and that something is Ionica's new national telephone service, based in Cambridge; a service which uses radio technology to provide a low cost, high quality fixed link between our customers' premises and our telephone network.

Opportunities to contribute Ionica's unique operating expertise to overseas ventures are also rapidly unfolding. Ionica International Ltd has been established to aggressively pursue such opportunities.

TELECOMS BUSINESS DEVELOPMENT & PLANNING – UK & INTERNATIONAL

£30 - £45,000 plus benefits and share options

"Development and evaluation of strategic and tactical business options, complex business and financial modelling, forecasting, operational planning, analytical support....."

We are looking for a number of exceptional individuals to strengthen a small but influential team whose job is to support and challenge key decision making in a genuinely exciting, dynamic and competitive business environment. If you are comfortable with both the 'bigpicture' and the detail, this is an all too rare opportunity to join us at a particularly stimulating stage of development.

You may already be working in a similar position as a strategy consultant in the City or perhaps as an accountant but, whatever your background, you will be required to demonstrate a high level of intellectual and analytical ability, and commercial awareness. Recent experience in the telecommunications industry in the UK and/or overseas could be a distinct advantage.

Ionica is one of Britain's newest service providers, successfully launching leading-edge technology into uncharted territories including internationally. In return for your skills, experience and real contribution to our further progress, we are offering excellent salary and benefits packages which include share options, making you a genuine partner in our success.

If you think you can match our requirements, send your CV to our Consultant, Megan Wilkins, Austin Knight UK Limited, Nelson House, 23-27 Moulsham Street, Chelmsford, Essex CM2 0XG, quoting reference C339. Fax: 01245 350498. Telephone: 01245 350250. e-mail:mw@austinknight.co.uk CompuServe: 101511 2562.

Previous applicants need not apply.

-LEADING TRANSLATION/MULTI-MEDIA COMPANY RHEIN/RUHR REGION

The Company is a world leader in the translation and printing of technical documentation, including the development of proprietary software tools for the automation of translation. The company has currently about 200 employees, mainly in Germany, but has recently embarked on a major reorganisation and expansion program. Rapid growth is envisaged through diversification into new markets and expansion overseas. To support expansion plans, the following positions need to be filled. Competitive salaries and performance related bonus package.

CONTROLLER

The company presents an ideal opportunity for a talented controller to build up a modern controlling department.

The successful applicant will have a good university degree in business or accounting, and have worked for at least 2 years in the controlling function of a German company. A comprehensive knowledge of German accounting practices is essential, as is a good knowledge of computer based accounting and management information systems. A central task will be implementing modern budgeting, costing and control systems. Knowledge of GAAP is required, as well as experience in the consolidation of accounts and management information from overseas subsidiaries. Fluency in at least one foreign language is essential, and overseas work experience desirable. Good interpersonal skills are also required. The position is initially as controller of the company, with the possibility of becoming Group Financial Director for world-wide operations.

SALES AND MARKETING MANAGER

The company has developed unique systems for the authoring, translation and publication of technical documents. We are seeking a Sales and Marketing Manager who can develop and implement strategies to communicate the advantages of the methodology to current and potential customers in automotive and other markets.

The ideal candidate will have a good university degree in business or engineering, and have worked in a development, technical sales or marketing function for at least three years. Automotive experience is an advantage, but not essential. The major task is to build and manage a professional marketing and sales organisation for the Group in Germany. Skills required include market analysis, sales force organisation and project management. Technical knowledge, in particular software related, would be a major advantage. Excellent interpersonal skills are required, as is fluency in at least one foreign language.

PROJECT MANAGER - TECHNICAL TRANSLATIONS

Managing the translation of technical documents requires a broad understanding of technical matters, together with good organisational skills.

The successful candidate will have a technical background and is familiar with the principles of project management. Formal training in project management is an advantage, but not essential. The project manager will be responsible for understanding customer requirements, translating these into project plans and managing the entire process through to delivery. Good interpersonal skills are required, as is fluency in at least one foreign language.

Please write to: Box A5919, Financial Times, One Southwark Bridge, London SE1 9HL

FINANCIAL CONTROLLER

Based Munich

Compaq Computer Corporation is the world's largest supplier of personal computers, offering desktop PCs, portable PCs and servers. Founded in 1982, the company reported sales of $14.8 billion in 1995. This role is within the Business Development Group which is the organisation responsible for developing new market opportunities in a region covering over 60 countries, primarily in Eastern Europe, areas of Southern Europe, Africa and the Middle East.

The position is responsible for providing leadership and management to a team providing financial forecasting, accounting and financial support functions. The Munich based team supports the local businesses either directly or, where established, through subsidiaries' organisations. Because of the diverse nature of the countries which make up this region with their wide cultural and legal differences, a major challenge is to fulfil corporate requirements whilst maximising suitability to local conditions.

Candidates should have a postgraduate financial qualification and significant management experience ideally gained in an International Controlling department. Experience of working for a US corporate in a developing region will be particularly valued. Fluency in English is essential with additional languages being beneficial.

This position is seen as being an excellent entry role into Compaq and one which will provide real career and skill advancement opportunities. The remuneration package will be geared to attract and reward a high calibre individual.

Please forward a comprehensive CV to our advising consultant Gary Stevenson at Kilvington Saville & Partners Limited, Minerva House, 34 North Street, Rugby CV21 2AL, UK. Tel: +44 (0)1788 541306. E-mail: 100431.1472 @ COMPUSERVE.COM Fax: +44 (0)1788 552142.

COMPAQ

Director

Corporate Finance
Westminster
£Neg + Car allowance + Profit sharing

Capita Corporate Finance, a subsidiary of the listed Capita Group Plc, wishes to recruit a further deal leader to manage a wide range of assignments.

Previous experience of initiating and executing acquisitions and disposals in the unquoted sector is essential. Rewards will include a competitive salary and profit sharing bonus.

Please send your CV and daytime telephone number, stating your current package to Ian Smith, Managing Director, 61-71 Victoria Street, London SW1H 0XA.

Regulated by the Securities and Futures Authority

CAPITA
CORPORATE FINANCE

BACOB BANK LUXEMBOURG S.A.

has an immediate opening for a

RESEARCH ANALYST WITHIN THE CAPITAL MARKETS AREA

The ideal candidate will have the following qualifications:

- University Graduate with excellent academic achievements
- Outstanding mathematical skills
- Experience in economic and statistical research
- Strong analytical capabilities
- Excellent PC skills (Microsoft Excel)
- Knowledge of accountancy principles
- Fluent in written and spoken English
- Perspicacious, creative and team oriented

If you are interested in this challenging position within a highly motivated and lively international team, please send your application to

Ms Theresa Hoffman
BACOB BANK Luxembourg S.A.
47, Boulevard Prince Henri
L-2010 LUXEMBOURG

The EU-Japan Centre for Industrial Cooperation

joint-venture between the European Commission and the Japanese government, is recruiting for its Brussels office:

1 ADMINISTRATOR and COORDINATOR of its management training programmes for EU executives
1 SECRETARY

Candidates should be reliable, flexible, EU nationals, aged 24-32, fluent in French and English (notions of Japanese an advantage), computer literate, willing to work in a small dynamic international team in Brussels, and available from 13 January 1997.

The Administrator should be a university graduate with suitable business experience, feel comfortable in accounting and communicating with business executives and government officials.

Applications are to be faxed to the Director NO LATER THAN 22 November 1996 at +32.2.296.98.53

We are a London-based investment firm with a leading presence in Emerging Markets equity broking. We wish to appoint an equity sales person to our Southern and Eastern European team to develop coverage of US clients. Although the position will initially be based from London, candidates should be prepared to permanently relocate to New York in due course.

As a minimum, candidates should possess the following:

- At least 12 months equity sales experience covering a variety of geographical areas/products
- A thorough understanding of all Emerging Market equity products gained through regular business trips to the region
- An MBA gained from a leading business school
- The ability to distil large volumes of data and present in a clear and concise format, both written and oral, complemented by a formal training in equity analysis.

Interested parties should write enclosing a CV to: A5918, Financial Times, One Southwark Bridge, London SE1 9HL

BERNSTEIN & Co. (SUISSE) S.A.
INTERNATIONAL FUTURES & OPTIONS BROKERS
Seeks highly motivated sales people for our options division

Qualifications needed:
- You are presently employed in the sales division in a brokerage company
- You are very successful in your present position
- Language qualifications: English and one or several other languages
- You are willing to relocate abroad

Job description:
- Sale of financial services by phone to companies situated all over the world

We offer you:
- A salary with a potential of at least $100,000 per year, based on 100% commission
- Accommodation in company apartments in the heart of Geneva

If you match this profile, please mail or fax your application & CV to:

BERNSTEIN & Co. (SUISSE) S.A.
RUE DE MONT-BLANC • CH-1201 GENEVA • SWITZERLAND
PHONE: (+41) 22 909 8000 • FAX: (+41) 22 909 8080

MANAGER DESIGNATE

I require two well educated individuals (26-35) who want to be trained to fill management positions within a successful and expanding private company. The career path will reward those who accept responsibility with the job satisfaction and financial gain they deserve. Call: DAVID WHEATLEY 0171 240 1162

TOP INSTITUTIONAL SALES
European Fixed Income Products (Cash & Derivative)
Excellent contacts to European and Asian Institutional Investors
10 year sales experience, fluent in English and German, Graduate, strong interpersonal skills,
is looking for an
ACQUISITION CHALLENGE
If you are interested, please request more information on FAX: 49 6251 71789

LEADING ITALIAN CONTRACTING COMPANY

subsidiary of major German multinational, active in the environmental field, seeks a well qualified chief engineer responsible for operations for its Indian subsidiary located in Madras.

A complete Curriculum specifying qualifications and working experience should be sent to:

RWE AMBIENTE ITALIA SpA - VIA SANTA MARTA 19 - 20123 MILANO - ITALY

O'Neill Associates

EXECUTIVE SEARCH - HONG KONG

O'Neill Associates is a leading Hong Kong based executive search consultancy, specialising in financial derivatives in the Asia Pacific region. We are a strongly client-focused firm, and are seeking another similar-minded professional to join us as our business expands.

You will ideally have a minimum of 3 years experience in search, preferably gained in the financial services arena. Part of your experience may have been gained working directly in the financial markets. Probably educated to tertiary level you will have excellent communications skills, and a strong focus on professionalism.

The role will involve developing relationships, both with our existing client base, and with new clients throughout the region. You will have the maturity and sensitivity to earn the trust of clients, candidates and the team supporting you.

This is an exciting opportunity to join a well-established search consultancy in the world's fastest growing economic region. Please apply in confidence to Harry O'Neill by mail, fax or e-mail.

O'Neill Associates
1513 Princes' Building, 10 Chater Road, Central, Hong Kong
Fax: (852) 2537 1011 **email:harry@oneill.com.hk**

SENIOR COMPLIANCE SPECIALIST - CONTINENTAL EUROPE

Salomon Brothers, one of the world's leading global integrated securities houses, is seeking an experienced Compliance specialist to work in the European Compliance Department. Based in Frankfurt, the successful candidate will concentrate principally on the business conducted from Salomon Brothers' European offices.

The successful candidate will maintain strong relationships with the regulatory authorities, provide expert advice, guidance and training to business managers in Frankfurt and elsewhere in Europe.

This is a key appointment, requiring strong organisational skills and a positive, pro-active approach to the business. The position will involve travel amongst European offices and the need to maintain effective and co-ordinated liaison with European Compliance and office management.

A minimum of five years' experience within the financial services sector is required. A sound knowledge of the relevant markets and of financial products is expected. Knowledge and experience of German regulations is mandatory and a familiarity with the regulatory framework of other European jurisdiction is preferable. Experience in dealing with, or working for, relevant regulators would be desirable. Fluent spoken and written German and English is essential and an additional working knowledge of French, Italian, Spanish and/or other languages desirable.

The successful candidate will be an effective communicator and possess good oral and written skills, be self-motivated, conscientious and able to work independently and within a team environment. A desire for both personal and professional development is expected.

A competitive remuneration package is available. Interested applicants should write enclosing a complete curriculum vitae to Ann Crookall, Human Resources, Salomon Brothers International Limited, Victoria Plaza, 111 Buckingham Palace Road, London SW1W 0SB.

London
Excellent + bonus + benefits

Salomon Brothers
REGULATED BY SFA

LUISONI
CONSULENZE PROFESSIONALI SA

PROFESSIONALITA' SOTTO OGNI PROFILO

CHIEF FINANCIAL OFFICER

WORLD LEADING SPECIALITY CHEMICALS COMPANY

Board level appointment for a highly skilled commercial finance professional who will play an important role in shaping the future of the business.

Switzerland — Six Figure Package

our client is one of the leading speciality chemicals manufacturing companies with a full range of products utilized by multiple industry segments on a world-wide basis.

The company now wishes to appoint a new Chief Financial Officer reporting directly to the Chief Executive. Prime responsibility will be to manage the Finance Group by providing leadership, financial expertise and business support, and in particular to:

- Oversee accounting, financial controls and systems throughout the company
- Co-ordinate group consolidation and reporting activities
- Prepare operating budgets with emphasis on cash flow forecasting
- Be involved in the planning and implementation of all aspects of Business Development as well as Sales and Marketing
- Provide a strategic approach to management and financial information
- Be instrumental in all contract negotiations, particularly regarding M&A activities

The ideal candidate will be a qualified accountant, preferably with an MBA in Finance and at least a 7 year experience in senior financial management with US or European multinational organizations. Candidates will display considerable business acumen and entrepreneurship and be able to operate in a highly decentralized, profit driven and stimulating environment. They will display a hands-on management style as well as a strategic approach to performance, profitability and future direction of the company. Fluent English is essential and Italian would be a plus. Compensation is negotiable and will reflect the seniority of the position. Assistance in relocation will also be available if required.

If you are interested in this opportunity, please send CV to:
Luisoni Consulenze Professionali SA
P.O. Box 3015
6901 Lugano-Switzerland
% 0041-91/923 55 41

VPS FSCP

Uffici - via Balestra 9 - 6901 Lugano - Tel. 091/923.22.01 - 923.55.41

Major European Bank

FIXED INCOME SALESMAN TO GERMAN INVESTORS

Paris based

Our Client :
Well established European Investment Bank active in multicurrency bonds dealing as primary dealer, rated AA.

The Position :
- *Develop Fixed Income sales (European Government bonds, Eurobonds, Asset swaps and Structured products) mainly to German and Austrian institutional investors.*

The Person :
- *A French or German national;*
- *University graduate, aged 28/35;*
- *Fluent in German and English, knowledge of French is advantageous;*
- *At least 3 years experience of the bond market acquired in a primary dealer team;*
- *Entrepreneurial behaviour, strong commercial orientation.*

The competitive remuneration package will be tailored to suit the right candidate.

Please reply with full details to Danielle ELOUEIS.

COR'EX

11, avenue Myron Herrick - 75008 Paris - Fax 42 25 13 23

APPOINTMENTS WANTED

FINANCE PH.D.
- solid academic record (US and Europe)
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European Investment Bank

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The EIB, the financial institution of the European Union with more than ECU 100 billion assets, is currently seeking for its Finance Directorate in LUXEMBOURG a (m/f)

Capital Markets Officer

Duties: Assist the operational head of division on the markets for which he/she is responsible, in particular: • Preparation and negotiation of capital market operations; • Liaison with the banking sector in the countries or markets concerned and with the appropriate monetary and financial authorities; • Monitoring of the primary and secondary markets in the countries and the sectors concerned; • Research on relevant markets concerning financing structures and appropriate financial instruments; • Preparation of issue documentation; • Preparation of notes and statistics.

Qualifications: Candidates should possess a university degree and several years of banking experience in the field of primary and/or secondary capital markets is required, as well as sufficiency in mathematics and computer applications. Ample experience in both currency and interest-rate swaps and other financial OTC instruments is required.

Languages: Very good command of either **English or French** and knowledge of the other. Knowledge of a third Community language would be an advantage.

The EIB offers attractive terms of employment and salary with a wide range of welfare benefits. Applications for this post are sought from both men and women.

Applicants, who must be nationals of a Member Country of the European Union, are invited to send their curriculum vitae, in English or in French, together with a letter and photograph, quoting the appropriate reference, to:

EUROPEAN INVESTMENT BANK,
Recruitment Division (ref.: FI/C9611),
L-2950 LUXEMBOURG. Fax: +352 4379 2545.

Applications will be treated in the strictest confidence and will not be returned.

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GROUP INTERNATIONAL

EXCELLENT OPPORTUNITY FOR CAREER GROWTH FOR COMMITTED PROFESSIONALS TO JOIN AS CREW MEMBERS

A Dubai based investment company set up jointly with one of the fastest growing international investment Group specializing in Islamic finance; is in process of identifying highly motivated, qualified persons with related experience in the investment banking industry for positions in the organisation.

POSITION	CRITERIA
CORPORATE FINANCE MANAGER INV (CFM-1)	• CA/Investment banking qualification • 10 Years experience in asset management, corporate finance and syndications with exposure to global investment practices including corporate advisory and Islamic Finance • Highly developed communications skills in a competitive banking environment. • Preferably Computer Literate • High degree of creativity and initiative.
CAPITAL MARKETS MANAGER INV (CM-1)	• MBA with major in finance • 5 Years related experience of dealing in capital markets in SE Asia, US, Europe • Flair for investment analysis and presentation essential • Highly motivated, result oriented person • Excellent interpersonal communication skills • Capacity to deal in a global environment.
TREASURY & FUND MANAGER INV (TFM-1)	• CA/MBA with major in finance • Related 10 Years experience in fund management with a bank • Highly motivated, result oriented person • Excellent interpersonal communication skills • Computer literate preferred • International contacts in financial services industry • Exposure to development of Islamic financial instruments
MARKETING & DISTRIBUTION MANAGER INV (MDM-1)	• MBA with major in marketing • At least 10 years related experience, preferably in retail banking/financial services industry with demonstrated high degree of creativity and initiative. • Result oriented and highly motivated • Bi-lingual communication skills. • Excellent track record to match. • Preferably Computer Literate.
RELATIONSHIP OFFICERS (RO-1)	• MBA with major in marketing. • At least 5 years related experience in Gulf countries in retail/private banking environment. • Result oriented and highly motivated. • Bi-lingual communication skills. • Excellent track record to match. • Computer literate • Age group 30-35 years.
FINANCE & RISK MANAGER Inv (FRM)	• Chartered Accountant (FCA) • At least 15 years related experience in financial services industry. • Excellent interpersonal skills • Highly motivated with flair for presentations and in-depth analysis. • Extensive exposure to accounting system MIS and risk management. • An Excellent track to match • Preferably Computer literate

POSITION	CRITERIA
ADMINISTRATION LEGAL & PERSONAL MANAGER INV (ALPM-1)	• Qualification in Law/Business Administration • At least 10 years related experience, preferably in retail banking/financial services industry • Result oriented and highly motivated • Bi-lingual communication skills • Excellent track record to match • Preferably Computer Literate
OPERATIONS MANAGER INV (OM-1)	• CA/MBA with related Operational experience at management level in financial services industry. • Exposure to development of operating manuals MIS and reporting on key areas. • Highly motivated with excellent interpersonal skills. • Excellent track record to match. • Computer proficient
CREDIT ANALYSTS & FINANCIAL ANALYST INV (CAFA)	• MBA with major in finance • At least 5 years related experience, preferably in corporate commercial banking /financial services industry. • Computer proficient • Highly skilled with flair for presentations. • Excellent communication skills • Excellent track record to match • Age group 30 years.
DEALERS INV (D-1)	• Graduate with banking qualification • At least 5 years experience in Forex dealings, equities and securities. • Highly developed interpersonal skills. • Computer literate and high degree of creative and track records of successful Forex and other business dealings. • Exposure to Computerized Treasury Management System.
ACCOUNTANTS INV (ACT-1)	• CA/MBA with major in finance. • Computer literate, and exposure to computerized accounting system and presentations. • Highly developed interpersonal skills. • 5 years experience preferably in financial services industry. • Extensive exposure to accounting systems, MIS and reporting.
EXECUTIVE SECRETARY & SECRETARIAL SUPPORT INV (ESS)	• Graduate with pleasant disposition • Proficient in Computer skills, MS windows, Power point, Graphics • Excellent command of English. • Minimum 7 years experience in secretarial skills-shorthand/typing and office management. • Capacity to work under pressure • Age group 30 years.

All positions carry attractive remunerations packages and performance related bonuses. Benefits include 30 days annual paid vacation with tickets for family, gratuity as per law, and other benefits as per Company policy.

Professionals meeting the identified Criteria for each positions may apply in strictest of confidence enclosing detailed Curriculum Vitae and a recent photograph quoting the reference no. to
P.O. Box No. 53793 Dubai, by 20 November 1996

P.O. BOX 53793, TEL: 667765, FAX: 667058, DUBAI, UAE

Corporate Finance

Arab National Bank is a major Saudi Arabian bank, headquartered in Riyadh. The Bank, with total assets of over US$ 8 billion, offers a full range of banking services covering; Retail, Corporate, Treasury and Private Banking. Through a network of 120 branches (including London) the Bank has built a reputation for prudence combined with the innovative use of state-of-the-art banking technology.

Our recently established Corporate Finance unit provides advisory and transaction services to an expanding corporate client base. To meet growing demand the Bank now wishes to appoint a Senior Corporate Finance Executive, reporting to the Head of Syndications and Corporate Finance. The person appointed will be given responsibility for the further development of our emerging M&A related advisory business.

The ideal candidate will be either a qualified Accountant and/or MBA with not less than five years' relevant experience in Merchant Banking or with a major accounting practice. He should be a self-starter capable of working with minimum supervision and with the ability to initiate, structure and close transactions. The position will be based at our Head Office in Riyadh. An excellent package, including tax-free salary and full expatriate benefits, will be available.

Initial interviews will be held in London.

If you believe that you meet the requirements for this challenging position please write, enclosing your C.V. to:

General Manager
Arab National Bank, P.O. Box 2LB,
47 Seymour Street, London W1A 2LB.
Telefax 0171 465-0419.

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LATIN AMERICAN SALESPERSON

We are a leading private merchant bank with extensive domestic and international interests in fund management, investment banking and securities broking. We are seeking to recruit a sales executive specialising in the sale of Latin American equities.

The successful candidate will join a team which operates in London, New York and the local markets. He or she will be a graduate, ideally have analytical experience which is relevant to the Latin American region and a professional qualification (MBA or CFA). He or she will be SFA registered. In addition to the above, at least five years' experience in securities sales is necessary of which at least one should be in Latin American sales.

Please apply in writing to
Box A5917, Financial Times,
One Southwark Bridge, London SE1 9HL

ACCOUNTANCY APPOINTMENTS

INTERNATIONAL AUDITOR

LONDON OR AMSTERDAM **TO £35K + BENEFITS**

Specialising in the marketing of networks and value added voice and data services to multinational businesses our client is recognised as a key player in the world of hi-tech telecommunications. With a rapidly expanding global presence the holding company is based in the Netherlands and has main subsidiaries located around the USA, UK and Continental Europe.

As a result of increased market penetration the need has arisen for an internal auditor who will be responsible for or involved in:

- conducting and reporting on assigned financial and operational audits throughout the company's worldwide organisations, in order to contribute to improved efficiency and effectiveness of the business
- contributing to the development of a professional audit function
- a variety of projects in both administrative organisation and internal controls and automation
- working with senior financial and operational managers to improve business processes and control procedures.

Applications are invited from candidates, aged up to 30, who are:

- from a big six international practice or have a minimum of three years internal audit experience within a large corporate
- mobile and prepared to travel extensively – 70 per cent
- conversant with US GAAP reporting procedures
- proficient in PC and audit software skills
- Spanish speaking – advantageous
- preferably from a telecommunications or related sector background.

This represents an excellent opportunity for a qualified accountant to develop their financial and commercial skills in a fast moving business sector. It is envisaged that through the continued growth of the company the successful candidate will have future opportunities around the group.

If you wish to make a significant contribution to a dynamic business which is poised for further growth, please write, enclosing a current curriculum vitae to Kacey Young at Robert Walters Associates, 25 Bedford Street, London WC2E 9HP, fax 0171-915 8714. E-mail: kacey.young@robertwalters.com

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Our client, the European division within a major multi-national plc, is a market leader in its area of high profile branded goods.

A new Financial Controller, reporting to the local Managing Director but with a strong dotted line to the UK, is now required to rapidly develop the Finance function in the Portuguese operating company (turnover c.£30 million). Specifically you will:

- Establish and develop a strong financial control environment
- Seek and implement positive improvements to both current practices and proposed actions
- Contribute positively to the commercial development of the business, which has considerable potential
- Enhance all aspects of reporting for Group and internal management purposes as well as for local statutory requirements

You will be a qualified Accountant with a strong technical background, an attention to detail and well-developed strategic vision. You must be able to drive through necessary developments via your personal credibility and strong influencing skills.

Previous experience of managing change within a fast-moving international Group is essential. You must be able to identify and communicate the needs of the Portuguese operation in wider European developments. Ideally you should be able to operate with equal ease in both Portuguese and English and have knowledge of local Portuguese accounting issues. Essentially you must have worked in at least two European countries and have a second European language.

Success in this role will lead to exciting opportunities within the Group.

Interested candidates should write with full CV, quoting current rewards package to Karen Wilson, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 1DY. Tel: 0171 430 9000. Fax: 0171 405 5995 quoting ref: HKW/7344/FT.

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EXECUTIVE SEARCH & SELECTION

THE PSD GROUP

Finance Director

International Financial and Business Management

NORTH WEST BASED c£65,000 + BONUS + BENEFITS

Our client is an established international process engineering contractor, part of a well known UK engineering based plc. They are about to embark on a major growth programme, building on proven skills in process engineering innovation and turnkey project management and now seek an experienced finance executive with proven commercial and business skills to join the Board.

Reporting to the Managing Director, your key tasks will be to provide comprehensive financial direction on a global basis along with the development of commercial and contract services and an integrated IT system. There will be substantial overseas travel to our offices and joint ventures.

Probably aged at least 35 and a fully qualified accountant, you will be able to demonstrate achievement in a complex international hands-on environment as a finance professional with substantial commercial experience probably, but not necessarily, in the engineering sector. A well developed profile in managing a professional and diverse team will be apparent as will the need to succeed in a demanding and energetic environment. Good influencing skills are vital.

The package will include relocation costs to a most attractive part of the country, together with executive car, family health insurance and performance based bonus opportunity.

To apply, please write with full CV, quoting reference FT821 and indicating companies to which your application should not be forwarded, to: Tony Ward, Gregory Wood Ward, 11 John Princes Street, London W1M 9HB. Fax: 0171 499 2387.

Gregory Wood Ward

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Divisional Finance Director

Profitable growth and a determination to remain at the forefront of industry developments has generated a new role within the £750 million turnover core division of this high profile quoted group. The principal task is to provide a responsive financial management infrastructure that supports the achievement of strategic objectives whilst acting as a key decision maker in evaluating and delivering significant new investments, acquisitions and joint ventures.

THE ROLE

- Reporting to a main board Director, operating as a member of a small executive team, with responsibility for ensuring best practice in financial management, project evaluation and customer service.
- Providing commercial input, reappraising key performance indicators to effectively challenge sector performance.
- Managing and enhancing a 40 plus, diverse team, maintaining strong relationships with Group Finance and other operating divisions.

THE QUALIFICATIONS

- Graduate calibre, aged 30s+, with an accounting, treasury or consulting background gained from a dynamic, blue-chip customer-facing organisation.
- Change agent, comfortable and effective in rapidly evolving organisation structures. Commercially astute analyst with strong project management and investment appraisal skills.
- Robust and resilient leader with first-class negotiation and interpersonal skills. Credible at board level with potential to progress further.

Leeds 0113 230 7774
London 0171 298 3333
Manchester 0161 499 1700

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Please reply with full details to:
Selector Europe, Ref. P60361161,
16 Connaught Place,
London W2 2ED

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Corporate Development Manager

Internal promotion and significant planned growth in this £2.5 billion turnover group manufacturing and distributing leading edge industrial products globally, has created this fast-track career opportunity. Stretching remit supporting a Director in evaluating and executing a range of corporate development activities including acquisitions and joint ventures and the analysis of ongoing activities.

THE ROLE

- Forming a two-person function with the Corporate Development Director and assisting Executive Directors in market and sector analysis to support organic growth and development.
- Reviewing, executing and delivering cross-border acquisition work, co-ordinating third party advisors and negotiating directly with principals.
- Conducting a range of ad hoc projects for the board, evaluating corporate structures and helping to deliver enhanced shareholder value across the business.

THE QUALIFICATIONS

- Ambitious graduate accountant, ideally with a second business qualification, aged 30+ with a blue-chip corporate development background from a corporate, financial services, consultancy or the profession. Language skills advantageous.
- Self-starter with the style, wit and gravitas to build effective relationships at board level. Adept project manager able to deliver several projects simultaneously.
- Outstanding communication skills with the ability to deliver concise and convincing analysis on paper. Appetite to develop his/her career in the line in the medium term.

Leeds 0113 230 7774
London 0171 298 3333
Manchester 0161 499 1700

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Please reply with full details to:
Selector Europe, Ref. P60291161,
16 Connaught Place,
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FINANCE DIRECTOR

A FAST GROWING GROUP IN THE SERVICES SECTOR

c£80,000 (negotiable) plus benefits **Southern Home Counties**

Our client is an extremely successful services group which has enjoyed rapid and profitable growth and who can claim to be a leading presence in its specialist markets.

They seek a hands-on finance professional who will be responsible for the entire finance and IT function, involving the management of a sizeable staff. You will play a key role in the formulation and execution of business strategy, advising the board on all financial issues, investigating acquisition opportunities, monitoring the performance of overseas subsidiaries and the introduction of new computerised accounting systems.

You will be a graduate Qualified Accountant and will have already reached Financial Controller or Financial Director status within a large, nationwide services business. It is unlikely therefore that you will be aged under 35 and earning less than £60,000. Outstanding leadership qualities and experience of managing large numbers of staff in a multi-branch environment are essential. Equally important are strong negotiating skills, excellent computer systems knowledge and a practical approach which addresses issues swiftly.

This is an exceptional opportunity to play a high profile role in a group with exciting development plans. The importance of the appointment will be reflected in the excellent salary and benefits package.

To apply please write in the first instance with a CV to Paul Mallinson at Hays Executive, 188-190 Spon Street, Coventry, CV1 3BB. Our client will have sight of applications, therefore please list any companies to whom your CV should not be sent.

Hays Executive

STRATEGIC SEARCH & SELECTION

EUMETSAT

EUMETSAT is an intergovernmental European Organisation of 17 Member States: • Austria • Belgium • Denmark • Finland • France • Germany • Greece • Ireland • Italy • Netherlands • Norway • Portugal • Spain • Sweden • Switzerland • Turkey • United Kingdom.

EUMETSAT is located in Darmstadt, and its prime objective is to establish, maintain and exploit European system of operational meteorological satellites.

Suitably qualified candidates (m/f) are invited to apply for the following post:

EUROPEAN ORGANISATION FOR THE EXPLOITATION OF METEOROLOGICAL SATELLITES

ORGANISATION EUROPEENNE POUR L'EXPLOITATION DE SATELLITES METEOROLOGIQUES

ACCOUNTING OFFICER

Ref. VN(96)22

The Finance Division prepares and monitors the expenditure of EUMETSAT's annual budget, currently 150 million ECU, which is monitored using an accounting system based on Oracle Financials running on an Oracle relational database and on a sequent computer with a Dynix/ptx operating system.

The holder of this post will assist in keeping the EUMETSAT accounts and will also act as interface between the users of the accounting system and its system administrator. The former will involve producing monthly reports, keeping the financial inventory and assisting in the preparation of financial statements. For the Oracle accounting system, he/she will act as back-up for the system administrator.

Candidates should have a university degree or equivalent and considerable experience of accountancy, including computerised accounting (preferably Oracle). Detailed knowledge of the financial management of an international organisation would be an additional asset. A proven ability to communicate effectively orally and in writing is required.

Fluency in either English or French is required, together with a working knowledge of the other language. Candidates must be nationals of a EUMETSAT member state.

Applicants who meet all of the above requirements should apply (CV, covering letter, reference no.) in either English or French to EUMETSAT: Ms F. Jayawant, Personnel Officer, Postfach 10 05 55, D-64205 Darmstadt, Germany. The closing date for applications is 6 December 1996.

Head of Taxation

Central London – c.£70,000 + Car

Our client is a major retail and distribution group with several substantial business streams currently UK oriented but with increasing emphasis on developing activities internationally.

As part of this strategic development there is now a requirement to appoint a Head of Taxation who will report to the Finance Director and manage a specialist department of six staff. Whilst obviously retaining overall responsibility for all group taxation matters including tax planning and compliance, a key focus of the role will be to work proactively with the operational management in the future development of the group's activities.

Candidates are likely to be ACA or ATII qualified or have achieved Inspector level with the Inland Revenue. They must offer demonstrable experience of handling taxation issues as they relate to international organisations and be conversant with providing advice on effective Tax structures and the appraisal of acquisitions and/or disposals.

With regard to personal attributes, candidates should possess strong leadership skills and the gravitas and authority to liaise effectively with senior management, HMIT and external advisers. Equally they should be technically proficient with regard to Corporation Tax and VAT issues within an international environment.

Please send your curriculum vitae with current salary details and an explanation of how you meet these requirements to Carrie Andrews, Ernst & Young Management Resourcing, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH, quoting reference CA0071.

ERNST & YOUNG

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Corporate Finance Advisor

City £50,000+

PSD

Our client is a leading international investment banking group currently undergoing a further phase of expansion worldwide. The success of the business development teams has created opportunities for additional professionals to work alongside clients in the communications, utilities and natural resources industries.

Key accountabilities will encompass:

- Providing corporate advice on joint venture and privatisation issues
- Valuations and restructurings; intra and cross border acquisitions and disposals
- Financial modelling and analysis

An accountancy qualification or MBA is essential combined with up to 4 years corporate finance experience gained within a leading investment bank, accountancy or law firm.

In addition you should have excellent interpersonal skills, thrive on new challenges and have a clear insight to the workings of the specific industries.

To discuss this opportunity in total confidence please contact Nina Gilbert on 0171 405 4161. Alternatively send your CV to her at the address below.

FMS Finance and Accountancy Recruitment

5 Bream's Buildings
Chancery Lane
London EC4A 1DY
Tel: 0171 405 4161
Fax: 0171 430 1140
E-Mail fms@psd.co.uk

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These positions will offer unique and [illegible] gain hands on exposure to areas such as [illegible] development, marketing, business planning and [illegible] variety of other vital business assignments. The [illegible] your skills in a multi-functional team environment [illegible] imperative.

As a newly qualified graduate accountant, currently working in public practice, financial services or commerce, you must be able to demonstrate an ability to relate to and work with high calibre business professionals in demanding and challenging business sectors. Each of these roles will require a high level of intellect combined with a strong sense of commercial and entrepreneurial business flair.

If you feel you can succeed in one of these newly created roles then please write to Charles Austin or Mark Rowley at: Herst Austin Rowley, 30 St. George Street, London W1R 9FA, enclosing a full Curriculum Vitae and quoting reference HAR440 or alternatively telephone on 0171 629 1223. Fax: 0171 409 7872. Email: har@globalnet.co.uk.

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CONTROLLER

Troy Corporation, a leading U.S. Corporation in the specialty materials industry, is seeking an individual for its Netherlands office.

The individual will be responsible for establishing and maintaining financial/accounting controls for European operations. Additional responsibilities will include systems, budgeting, auditing, consolidating financial reporting, and functional control over the accounting and financial activities.

Qualified persons will have a degree in Accounting/Finance and hold the designation of Chartered Accountant. Please send a full resume to: **Human Resources Mgr.,**

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Toby Finden-Crofts on +44 0171 873 3456

KVÆRNER

Kvaerner ASA is an international, diversified business group, registered in Norway and with London-based international headquarters. The group permanently employs more than 54,000 people world-wide and has annual operating revenues approaching GBP7 billion. The group is a global leader in technology-based engineering and construction services for a wide range of industries.
All treasury matters throughout the Kvaerner Group are centrally controlled by Kvaerner Financial Services Limited who also act as an in-house bank and support function for all subsidiaries. The main treasury operation has recently relocated to new facilities in St James's, SW1 and includes risk management, cash management, corporate finance and project finance.

Treasury Assistant

Cash Management — **Competitive Salary + Benefits**

As the nature of the Kvaerner business is highly international and spread among a large number of world-wide subsidiaries, cash management infrastructure and operations become vital for a controlled treasury environment. To further strengthen and improve cash management issues we need to increase our treasury team in this area.

By joining us as our Treasury Assistant, your brief will be to design, install and operate the Group cash reporting and short term cash forecasting systems and assist in the design and implementation of the Group cash management system. Specifically, you'll monitor and analyse daily cash flows and prepare forecasts of interest rate exposures on short term Group liquidity.

With at least two years' experience in a major corporate Treasury Department, you will have gained a good understanding of the reporting and financial consolidation procedures of a large company and display excellent IT skills, especially spreadsheet/databases. You'll need to be a bright, well organised communicator and ideally hold an Accounting and/or Treasury qualification.

Lending Officer

Corporate Finance — **Competitive Salary + Benefits**

Corporate Finance is responsible for the Group's capital market funding, corporate lending and trade finance. To further improve our role as an in-house bank, we need to strengthen our team by appointing an additional member of staff.

Working independently in an advisory capacity with Group companies across the Globe, you will advise on Treasury matters such as capital structure, trade finance, financial exposures, bank relations and treasury policies. Working with Group Tax and Legal Departments, you will also take responsibility for the processing and administration of Group company financing as well as prepare management reports and assist on Group Treasury project work.

It's a role that calls for at least five years experience within a pressurised Credit department of a bank or major corporate Treasury department where you have gained an understanding of complex financial exposures within the industry. Computer literate with good IT skills, especially spreadsheet/databases is essential and a banking and/or treasury qualification would be ideal.

To apply please send a full CV indicating present salary level and the position you are interested in to:

Jeremy Davis, Manager – Group Personnel, Kvaerner Services Limited, 1 Berkeley Street, London, W1A 1BY.

Closing date for applications Wednesday, 18th December.

Kvaerner

Financial Controller

c. £50,000 + Benefits — London

International Water Limited brings together in a joint venture the resources of two major companies, North West Water and Bechtel. IWL is responsible for all world-wide business development, project finance and bidding activities for water and wastewater project development outside North America. The company is in start-up mode with regional offices planned for South East Asia, Latin America, Europe and the Middle East.

Key to our future success is sound business management, and a vital part of achieving this is the establishment and maintenance of effective accounting and reporting systems.

These will provide management with complete and accurate up to date information on expenditures for domestic and overseas offices, project bid expenditures, overseas subsidiaries and joint ventures.

In addition, the position will be responsible for statutory financial statements and year end audit, play a major role in treasury and tax planning, the production and monitoring of annual budgets and business plans, and be heavily involved in the financial review of project bids.

Applicants should be fully versed with accounting business systems in an international context and be fully qualified to Chartered status. In addition, the individual should possess self-motivation, resourcefulness, initiative, and flexibility.

This is an international position, therefore applicants should be fully flexible regarding travel and re-location in the UK and the rest of the world. The position offers an attractive remuneration package, based on the Controller's experience and skills, plus benefits associated with a leading company.

Please send your CV to Peter Watts at Austin Knight UK Limited, Knightway House, 20 Soho Square, London W1A 1DS. Fax: 0171 439 5744. Please quote reference number A1296. E-mail: pw@austinknight.co.uk CompuServe: 101511.2562

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FOREIGN EXCHANGE MANAGER

GE INTERNATIONAL

Exceptional package — **West London**

- GE, of the United States, a diversified technology, manufacturing and services company with revenues of more than $70 billion, is an international leader in a wide range of businesses from Power Systems and Aircraft Engines to Financial Services. The Group co-ordinates its foreign exchange transactions in Europe through a centralised Treasury in London.
- This is one of the most challenging FX management roles in London. You will lead a small, dedicated FX trading team handling a high volume and value of transactions and providing a centre of excellence in FX risk strategy and management, working closely with business leaders and their staffs throughout Europe.
- You will be a graduate, preferably with a professional qualification. Seeing yourself, at this stage in your career, as an FX specialist rather than a more generalist treasurer, you will have at least five years' foreign exchange experience from another large multinational. The key personal characteristics are leadership, flexibility, maturity and credibility.

Please write in confidence, with a cv and remuneration details, to Criterion Search, 50 Regent Street, London W1R 6LP, quoting ref: 1054. Tel: 0171-470 7155. Fax: 0171-470 7114.

CRITERION SEARCH

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IT City Appointments

APPLICATION DEVELOPERS

Financial markets experience welcomed but not required

Central London ***Excellent rewards and banking benefits***

As one of the world's foremost global integrated securities houses, Salomon Brothers has a widely acknowledged reputation for leadership in financial product development and technological innovation. It is because we are determined to guard and grow this reputation that we are now seeking to recruit a small number of highly talented development specialists to join our fixed income research department. An excellent technology background rather than previous financial markets experience is the key requirement for these positions.

The role is to:

- *join a small team of front office application development specialists.*
- *work closely with research specialists, quantitative analysts and trading floor professionals.*
- *design and develop analytical tools for sales and trading desks.*

You should:

- *display strong interpersonal and communications skills.*
- *have acquired a minimum of two years' C development experience.*
- *possess hands-on knowledge of two of the following: Unix, a major RDBMS, Motif programming.*
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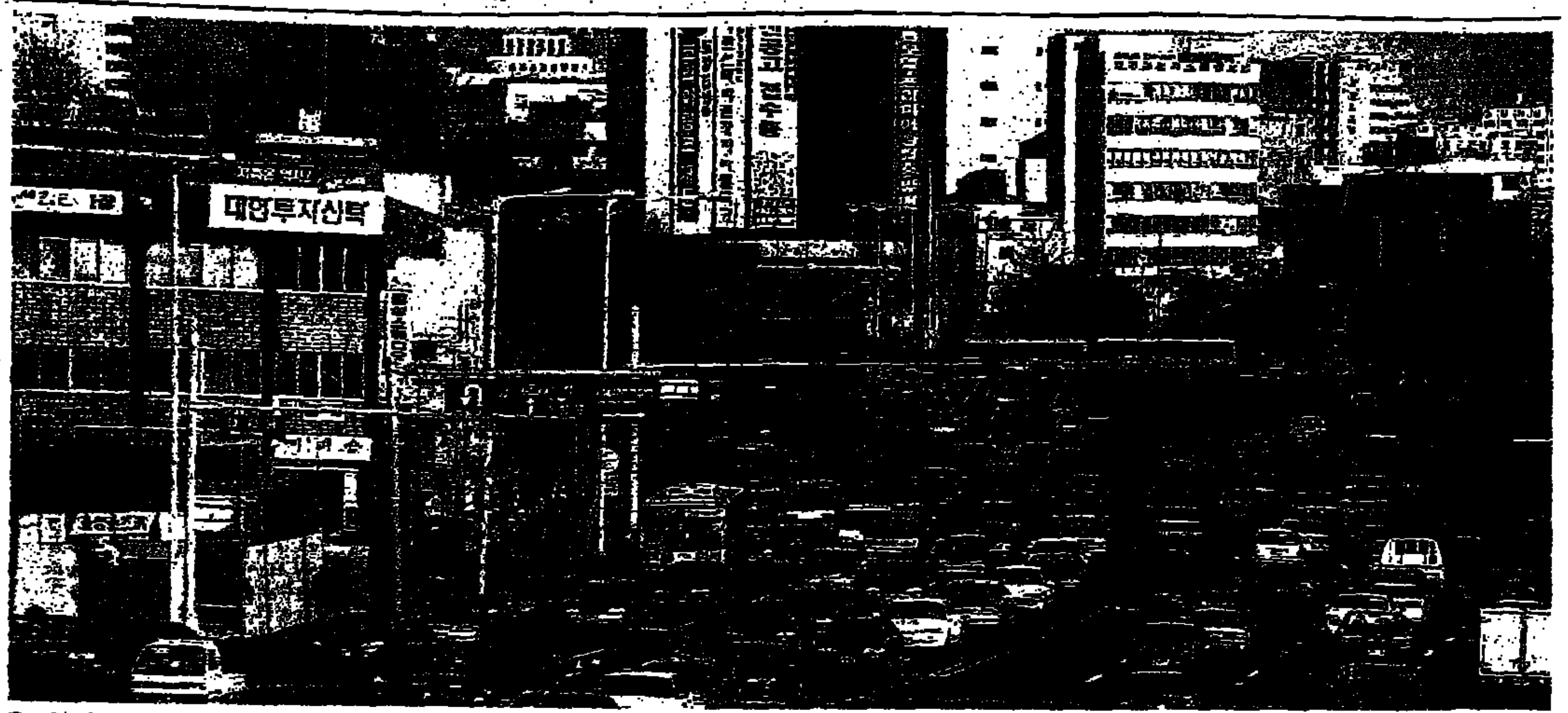


Overburdened: a clogged transport system has forced up distribution costs to twice those of Japan or the US *Jim Holmes*

Bound by tradition: deregulation will be hard for a country with a history of centralised government *FT*

Structural inefficiencies persist

In spite of its economic strengths there are signs that the country is starting to lose its international competitiveness, says John Burton

South Korea likes to boast that it will become the next Japan. But its fervent wish may turn out to be a curse: Instead of being the new global industrial power from Asia, South Korea is in danger of becoming like the Japan of the 1990s: a sluggish economy beset by serious structural problems.

That prospect may seem surprising given South Korea's strengths. Economic growth is brisk at almost 7 per cent. The country invests heavily in expanding its industrial base, supported by a high savings ratio that amounts to 30 per cent of gross domestic product. Government debt is small. Its young, well-educated population enjoys the benefits of a full-employment economy.

Nonetheless, there are warning signs that South Korea is losing its international competitiveness as the economy matures. The current account deficit is expected to widen to a record \$20bn this year, an ominous development for a country which is heavily dependent on trade. The stock market has slumped to a three-year low. South Korea's biggest exporters are fleeing abroad to escape unfavourable conditions at home.

Some blame the present economic problems on cyclical factors. A weak yen has benefited Japanese car and shipbuilding industries at the expense of their Korean rivals. A slowdown in global demand for semiconductors, which accounts for almost 20 per cent of South Korean exports, has contributed to the big trade gap.

But officials and economists acknowledge that current weaknesses reflect structural faults. They bemoan the fact that South Korea has become a "high cost/low efficiency" economy.

Production costs have risen sharply in the past decade. Wages are the highest in Asia after Japan. Industrial land is expensive. Corporate interest rates are pegged at 12 per cent – twice as high in real terms as in Japan or Taiwan, due to closed financial markets.

An overburdened transport system has forced up distribution costs to twice those of Japan or the US. Most importantly, labour productivity growth has not kept pace with costs.

Moreover, most of South Korea's exports are concentrated in a handful of highly cyclical industries – electronics, cars, ships, petrochemicals and steel – facing increased competition from China and south-east Asia.

Although it has made successful efforts to diversify into more value-added products, South Korea still largely relies on imports of capital goods and vital components from chip-making equipment to car engines to keep the export machine running. The result is a persistent and growing trade deficit in the 1990s.

This structural deficiency reflects lack of spending devoted to research and development. Companies instead preferred building more factories to achieve economies of scale. The policy has been encouraged by the government, which views large industrial investments as an easy way to keep growth buoyant.

"But this industrial strategy has now left South Korea with excess production capacity in many key sectors and a lack of cutting-edge technology. Even its acknowledged global leadership in computer memory chips is at the low technology end of the semiconductor industry.

Dire predictions have been made before that South Korea was heading for troubled times. But until now the country has always been able to engineer an unexpected recovery.

This time could be different, however. Factors sustaining high growth in the past, such as low wages and a cheap currency, are disappearing. Trade barriers protecting industry are falling and state financial aid to companies is being phased out.

These developments are beneficial in helping restructure industry and making it more competitive. But most Korean economists argue that more needs to be done, such as lifting the heavy hand of state economic intervention and introducing market reforms.

Like Japan, South Korean industry is being slowly strangled by a complex web of regulations. Financial liberalisation would lower capital costs by easing access to cheaper foreign funds. Opening the market to increased consumer imports would help reduce inflation and wage demands. Ending strict job security guarantees for workers would promote labour market flexibility.

Deregulation would also help end corrupt links between government and business, dramatically exposed this year in the bribery trials of former presidents Roh Tae-woo and Chun Doo-hwan.

But perhaps the biggest benefit of market reform is that it could correct a serious imbalance between big and small business. Subsidised and protected by the state, the conglomerates, or chaebol, dominate the economy at the expense of small business. The absence of thriving entrepreneurial companies is striking, while South Korea lacks the vibrant subcontracting network of Japan.

Subjecting to the country's big conglomerates, or chaebol, to market discipline, particularly from the financial markets, would eventually force heavily-indebted groups to reduce their sprawling industrial empires and concentrate on core businesses. Financial liberalisation promises more funds for small business, while promoting fair competition.

Hopes have been raised that South Korea's expected entry into the Organisation for Economic Co-operation and Development next month will accelerate economic reforms.

But deregulation will be difficult for a country with a long tradition of centralised government. Inward-looking attitudes, bred by almost of 400 years of self-imposed isolation until the late 19th century, are also not conducive to opening the country to foreign competition.

The recent contentious OECD negotiations on financial liberalisation and other issues have underscored the fact that Korean bureaucrats still favour a conservative approach toward reform. In addition, there appears to be little interest among politicians to push for rapid deregulation.

Instead, hostile public reactions to OECD membership, backed by the opposition parties, reveal that many Koreans see economic liberalisation as more a threat than an opportunity.

There is little doubt that a more open economy will lead to plant closures and job losses as inefficient companies are weeded out, although this will strengthen South Korea's global competitiveness.

The current economic slowdown has soured the taste for reform, with the government recently postponing the privatisation of big state companies and curbs on chaebol expansion because of fears that growth would be further disrupted.

Public attitudes may change as more Koreans travel abroad and see the benefits of open market economies to consumers. But this will take time and many analysts believe that South Korea's window of opportunity to introduce full-scale reforms is short, perhaps five years, if it is to avoid the problems of Japan.

Further pressure for rapid liberalisation comes from the threatened economic collapse of North Korea, perhaps within the next decade. The cost involved in unification and reconstruction is likely to strain South Korea's resources to the full.

Seoul will need to rely on overseas capital to fulfil the task. Its ability to mobilise foreign funds will be made easier if South Korea has already overhauled its inefficient financial system.

Politics: by John Burton

Opposition feuds bolster the NKP

The decade-old democracy has yet to see the ruling party fall from power

South Korea has evolved from a military dictatorship into a democracy over the past decade, but it has not yet put its its democratic credentials through one crucial test: the peaceful transfer of power to the opposition. Next year could provide an opportunity as voters select a president to succeed Kim Young-sam, who must step down after a constitutionally-mandated one-term office of five years.

Yet most Koreans believe that the ruling New Korea party (NKP) will retain control of the Blue House, the presidential mansion, as long as it nominates a strong candidate against a divided opposition.

This is particularly true if the NKP selects Lee Hoi-chang, the country's most popular politician according to opinion polls. Mr Lee, a former justice of the supreme court, gained fame in 1993 when he led a well-publicised campaign against corruption as head of the government's audit bureau.

Mr Lee faces one big obstacle in gaining the NKP nomination. He is believed not to be favoured by Mr Kim, who regards Mr Lee as a potential rival for control of the NKP. Mr Kim's support is crucial since the president heads the ruling party's largest faction.

The two men have previously clashed. Mr Kim sacked Mr Lee after a brief stint as prime minister in 1994 when he demanded more power for what is largely an administrative post. The incident added to Mr Lee's popularity among Koreans, who regard the presidency as too powerful.

Opinion polls show Park Chang-jong as another strong NKP candidate, but his image as a political maverick is considered a handicap.

Instead, many political analysts believe that Mr Lee Hong-koo, the party chairman, will receive the nomination due to his close ties with the president.

Mr Lee, who is 62, has a distinguished record. With a doctorate from Yale, he taught political science for two decades at Seoul National University, the country's top university. As minister for national unification in the late 1980s, he pioneered a brief period of rapproachment with North Korea. After a posting as ambassador to the UK, he served last year as a popular prime minister.

Nonetheless, opinion polls reveal Mr Lee as the weakest of the NKP's potential presidential candidates. Lacking a political base of his own, there is a public perception that Mr Lee might amount to a shadow president for Mr Kim, who is not popular.

Still, Mr Lee would likely be narrowly elected president as long as the two main opposition parties field separate candidates. They would include Kim Dae-jung of the centre-left National Congress for New Politics (NCNP) and Kim Jong-pil of the United Liberal Democrats, which is conservative despite its name.

The two opposition leaders, who have been fixtures on the political scene for the past three decades, have recently formed a tactical parliamentary alliance against the government. But this is unlikely to lead them to agree on a single opposition presidential candidate.

Their ideological differences remain deep and neither opposition leader is likely to abdicate to the other, even if it means a probable victory at the polls. An united opposition candidate would represent a serious threat to the ruling party, which normally receives about 40 per cent of the vote.

One of the opposition candidates, probably Kim Dae-jung, could still score an electoral upset if the economy deteriorates. The growth rate for gross domestic product is likely to slip from 9 per cent in 1995 to 6 per cent in 1997, which is almost a recession by Korea's high-growth standards.

Both opposition parties have criticised the government for opening the economy too quickly to foreign competition and have lobbied for postponing Korea's membership in the Organisation for Economic Co-operation and Development.

However, some political analysts note that poor economic growth in 1992 did not stop Kim Young-sam being elected president as the candidate for the governing party. Moreover, there is a belief among opposition politicians that the government could exploit the current tense situation with North Korea to improve its chances at the polls next year.

Koreans tend to vote for stability at times of perceived national security crises. Kim Dae-jung has accused the government of previously using "the security situation for political purposes".

One possible wild card political option next year would be a constitutional change from a presidential system to a parliamentary one based on the German model. A constitutional revision has been supported by Kim Jong-pil. The government has ruled out any change. But political analysts speculate it might be tempted to support Mr Kim's efforts if it appears that the ruling party would lose the presidential election. The government has a slim parliamentary majority.

The NCNP has said it would oppose a constitutional revision because it would "be used by the ruling camp as a means to extend the rule of President Kim" until the next parliamentary election in 2000.

Economy: by Robert Taylor

The dynamo begins to slow

Many observers wonder whether frenetic pace of the country's growth in recent years can be sustained

South Korea's entry into the Organisation for Economic Co-operation and Development last month reflects the widespread admiration for its recent economic achievements across the western world.

The facts speak for themselves. Since 1963 the country has enjoyed an annual average 8 per cent growth rate, its output has increased 12-fold and annual income per head has climbed by 700 per cent to $10,076 last year. Moreover, South Korean policy-makers say that by early next century their country will have become the sixth most advanced OECD economy, surpassing the UK.

Such bullish claims may seem exaggerated. But Donald Johnston, the OECD's secretary-general, has pointed to the scale of the country's dramatic development in the recent past. At the end of the Korean war in 1953 the overwhelmingly peasant economy lay in ruins, virtually stripped of its capacity to produce chemicals, metal products, mining output, even electricity and with few trained technicians and engineers.

Today South Korea is the world's leading supplier of computer memory chips, its second largest shipbuilder after Japan, the third producer of semi-conductors, fourth maker of electronics, the fifth car maker and the sixth crude steel producer. For a country of 44m with few natural resources, this is an extraordinary advance.

In this summer's report on the country the OECD suggested that if South Korea continued to expand at its present growth rate annual per capita income would double to $20,000 by 2001, bringing the country to levels comparable with Spain and Canada.

But whether the economy can continue to grow at the frenetic pace of the past 20 years in the immediate future is a matter of open debate in the country.

After last year's phenomenal 9 per cent growth rate, the economy has been cooling off. This year may not represent a crash landing, but by South Korean standards it has created some anxieties.

In demand: shortage of labour is a worrying growth constraint — Dario Hayes

The most noticeable trouble has been the abrupt drop in export growth, mainly due to a sharp 70 per cent fall in world semi-conductor prices during the first seven months of the year. As the export volume of semi-conductors climbed by more than 50 per cent in 1995 to take an 18 per cent share of the country's total exports, any sudden downward lurch in their prices was bound to hit the economy.

Moreover steel and petrochemical products have also suffered from a fall in prices and foreign demand. The weakening of the Japanese yen has also contributed to poorer export performance.

Export expansion – backed by judicious fiscal and monetary policies that ensured macroeconomic stability – was the stimulus that transformed the country's economic structure. Last year visible exports made up 24.7 per cent of the country's gross domestic product with manufactured goods accounting for 93.8 per cent of that figure so any slowdown in international demand has an immediate impact on the economy.

At the same time imports have surged, rising at a 23 per cent annual rate over the past two years, reflecting a heavy dependence on raw materials and capital goods to feed exports.

As a result the country's current account deficit has widened this year to $9.4bn for the first half compared with $5.9bn for the same period of 1995. Official forecasts suggest it will total about $18.8bn for 1996 as a whole, compared with last year's figure of $8.8bn.

There is some concern among the forecasters about consumer price inflation which grew by 5.1 per cent over the first three quarters of the year with a 4.3 per cent increase in manufactured goods prices compared with an overall 2.3 per cent for the same period of 1995.

"More policy emphasis should be put on price stabilisation and containment of the current account deficit," says Yoon Ha at the Korean Development Institute, the government-funded research organisation. But he admits the "already faltering growth momentum makes it very difficult to pursue a stabilisation policy single handedly, particularly when 1997 is presidential election year."

The institute predicts a 6.5 per cent GDP growth in the second half of the year with further decline in the first half of 1997 followed by an upturn in the second half.

However, the economy also faces severe labour market problems. Unemployment remains low at only 2.0 per cent of the workforce but only 62 per cent of adult Koreans are economically active.

Shortage of labour is a worrying growth constraint with a shortfall of 183,000 workers, equivalent to 3.7 per cent of employees. But there are only an estimated 180,000 foreign workers in the country and Korean xenophobia makes it an unattractive place for immigrants.

As wages stay ahead of productivity gains and the demand for skilled workers is hard to meet, labour market reform, as well as financial deregulation, has become a priority.

Korean modernisers draw hope for long-term economic prosperity on the impetus to change that will come from OECD membership. Others believe the country has no intention of deregulating its economic system at a pace that will satisfy international financial opinion.

The OECD in its summer report on the country said South Korea's "further integration into the community of industrial nations would provide mutual gains". But some foreign observers question whether the government is prepared to push through the structural changes needed to improve its economic performance.

"The country's impressive economic expansion has run far ahead of its traditional social and political structures and this carries the threat of future disruption," said one foreign official. Behind the self-congratulatory tone, the South Koreans face difficult choices about the future direction of their economy, which cannot be postponed indefinitely.

Foreign policy: by John Burton

Fractious to its friends

Anti-American and anti-Japanese sentiments are starting to emerge among Koreans

With South Korea facing a tense confrontation with North Korea, it would be natural to assume that Seoul would be seeking to strengthen ties with its two closest allies, the US and Japan.

Instead, anti-American and anti-Japanese feelings are on the rise in South Korea. This reflects heightened nationalism as increased wealth promotes growing self-confidence among Koreans.

The Korean peninsula has been the Poland of east Asia – the battleground for bigger regional powers – and this unfortunate historical situation has fostered a deep feeling of injured national pride. The 1990s have seen South Korea become more assertive that is commensurate with its rapid rise to the world's 11th largest economy.

A nationalistic backlash has focused on Japan because of its harsh colonial rule between 1910 and 1945 and the US, which is still blamed for dividing the Korean peninsula in half with the Soviet Union at the end of second world war.

Events this year have contributed to growing resentment among Koreans toward their allies.

In case of the US, the biggest clash has occured over differences in North Korean policy. Under President Bill Clinton, Washington has adopted a role as mediator between the two Koreas in an effort to promote smooth reunification.

But Seoul has been suspicious of US intentions ever since Washington signed a nuclear deal with Pyongyang in 1994. North Korea agreed to freeze its nuclear weapons programme in return for fuel oil and two nuclear reactors that would be financed mainly by South Korea.

Kim Young-sam: a tough line on North Korea has unsettled the US

South Korean officials have accused the US of being "soft" on North Korea and their scepticism has increased after a North Korean submarine was discovered on an infiltration mission in September.

Kim Young-sam, the South Korean president, has adopted a hardline policy toward North Korea in the wake of the submarine incident. This has provoked worries among US officials that South Korea might be trying derail the nuclear agreement in effort to isolate North Korea and hasten its collapse. "That is a risky strategy that could destabilise the region," said a western diplomat.

Other factors have added to the mutual distrust, including the recent arrest of a Korean-American intelligence analyst in Washington on charges of spying for South Korea.

US-South Korean frictions are not limited to diplomacy. The US is also pushing for wider trade access to the Korea's closed market. Washington is seeking lower tariffs and taxes on imported cars, which account for less than 1 per cent of volume sales.

Alleged barriers on telecommunications equipment and protection of intellectual property rights are also matters of dispute.

But there is growing resistance to US trade pressure, particularly when Korea is suffering from a record current account deficit of $20bn this year and the US enjoys a trade surplus with Korea.

However, current ill feeling should not change the fundamental US-South Korean relationship, with Washington committed to protecting Seoul from a potential North Korean attack.

In contrast, South Korea is paying an economic price for its prickly relations with Japan. A territorial dispute between the two nations over an island, known as Tokdo in Korean and Takeshima in Japanese, in the Sea of Japan has set back prospects for increased economic co-operation.

Korea is seeking more industrial investments from Japanese companies to reduce its persistent trade deficit with Japan, which reached $15.6bn last year. This reflects South Korea's heavy dependence on imports of Japanese capital goods and components.

Japanese companies have been reluctant to invest in Korea because of perceived hostile attitudes. The island dispute, which involves fishing rights, has further fanned anti-Japanese feelings this year, and has seen numerous demonstrations in front of the Japanese embassy in Seoul.

Seoul and Tokyo have tried to paper over their differences. They recently agreed to promote historical research to correct "misunderstandings". Cultural exchanges in traditional arts will be promoted, although Korea will maintain a strict ban on imports of modern Japanese mass culture, including films and music.

In a goodwill gesture, Seoul also proposed ending an import ban on many key Japanese products, such as cars and electronics, by 1999.

These efforts to improve relations will be put to the test when South Korea and Japan co-host the 2002 World Cup games. Competition between Seoul and Tokyo for the tournament was so bitter that FIFA, the international football association, was forced to split the games between them.

Officials expressed optimism that the event will promote good neighbourly relations, but initial disagreements on co-hosting arrangements have weakened such hopes. Although some differences have been settled, future disputes are likely to add to the climate of recrimination between South Korea and Japan.

■ **North Korea:** by John Burton

Famine raises pressure for change

Severe economic woes have raised fears of political upheaval in the totalitarian state

The economic decline of North Korea has been swift. In the early 1970s, it was an industrial showcase for the third world. Today, it is barely able to feed its people, with children showing signs of African-style malnutrition. There is widespread concern that North Korea is heading toward an economic collapse, which could precipitate political upheaval, threatening regional stability and development.

The North Korean economy has shrunk by more than 25 per cent since 1989, reflecting the collapse of its trade relations with the Soviet bloc after the end of communism in eastern Europe. Its important agricultural sector is suffering from poor farming methods and flooding from heavy rains, forcing it to appeal for international emergency food aid.

Lack of foreign exchange for fuel imports has created energy shortages, leaving many of its factories idle. It is unable to borrow money to improve its obsolete infrastructure since it has an estimated $12bn in foreign debt.

But predictions about an immediate collapse appear exaggerated. Although agricultural production remains vulnerable, it will improve if weather conditions do. The country is also trying to revive trade by forging business links with neighbours such as Japan and China.

The supply of fuel oil and the construction of two modern nuclear reactors, promised under a 1994 nuclear freeze agreement with the US, is expected to ease energy problems and – imitating China – a free-trade zone is being created around the north-east ports of Rajin-Sonbong to attract western investment.

But many doubt North Korea is willing to introduce economic reforms on the same scale as China. It has refused to introduce a market-based agricultural system – the basis for Chinese reforms in the late 1970s.

One cause for official caution is the fear reforms could weaken the state's tight grip over society. Nonetheless, North Korea's totalitarian system could suppress any popular moves toward political reform in the near future.

Perhaps its best guarantee for immediate survival is that no country with interests in the region, including China, Russia, Japan and the US, wants to see it collapse because of the consequences to regional stability. These countries are likely to join multilateral aid programmes to North Korea.

The success of this strategy also depends on the attitude of South Korea, regarded as the biggest potential source for investment in North Korea. But neither Korea appears to want to co-operate with the other. North Korea regards accepting assistance from the south as a sign of weakness. South Korea has adopted a hard-line policy toward Pyongyang in response to what it sees as North Korean provocations, including a submarine intrusion in September.

Some suggest the Koreas should adopt the China-Taiwan relationship, allowing unofficial contacts, including business ventures, to create a climate of mutual trust. But Seoul has ruled out such an approach by insisting investments in North Korea be linked to progress on inter-Korean contacts. Many analysts expect relations between the two will remain frozen until at least early 1998, when South Korean president Kim Young-sam leaves office.

But there are worries that continued delays in developing inter-Korean contacts will make it harder for South Korea to reconstruct North Korea after reunification and that a collapse in the north would result in a downturn in the south's economy.

Analysts suggest that South Korea should accelerate financial liberalisation to prepare for reunification. Marcus Noland of the Institute for International Economies in the US says it must "continue to improve its foreign direct investment regime, as well as encourage the development of efficient domestic bond markets of all maturities which can be used to mobilise large sums of capital when the need arises".

■ **Labour:** by Robert Taylor

Under the international spotlight

Membership of the OECD will make it harder to ignore demands for reform

In spite of the South Korean government's promise on last month's entry to membership of the Organisation for Economic Co-operation and Development to carry through industrial relations reform within the present session of parliament, observers remain doubtful about its commitment to core labour standards, such as freedom of association and collective bargaining.

Douglas Johnston, the OECD's director-general, believes the country is committed to bringing its laws – many dating back to the military dictatorship more than 30 years ago – into line with the basic conventions of the International Labour Organisation (ILO) it joined five years ago. John Evans, general secretary of the OECD's trade union advisory committee, also remains optimistic progress can be made to satisfy the concerns of organised labour.

Others are more cautious. Youngmo Yoon, head of the international department of the unofficial Korean Congress of Trade Unions formed last November, says the government has made "no commitment" to reforming the labour laws despite the international pressures that delayed the country's OECD membership application for at least a month.

More than 50 trade union activists are in jail for alleged offences under the country's criminal and industrial relations laws. Young-kil Kwon, the KCTU's president is on trial after being released from detention earlier this summer. This does not suggest a readiness to take a more relaxed attitude to labour reform.

President Kim Young-sam's election promises of the development of a "new industrial relations" have so far failed to produce results. An attempt to make changes in 1992 ran into resistance from employers. A commission created this summer under the chairmanship of former prime minister Hyun Seung Jong to come up with an plan for industrial relations reform remained deadlocked for months. Employers, led by hardliners from the Federation of Korean Industry, have resisted suggestions of strengthening collective rights of workers.

Three fundamental problems lie at the heart of the country's industrial relations system.

Firstly, a 1968 law bans more than one trade union in each enterprise, one industrial union or federation in each industry and one national union centre.

The law has denied official recognition to the KCTU and its industry-based affiliates. "Our problem is we are illegal in the eyes of the state," says Mr Yoon. "We are fighting for survival."

The second issue concerns the banning of so-called third party intervention. Under a 1980 law, those not directly employed by a company or enterprise union cannot provide support and guidance.

As a result hundreds of trade union activists have been imprisoned or dismissed from their jobs over the past 16 years. Trade unions are also forbidden from participating in political activities.

The third issue is the continued refusal of government to allow teachers and civil servants to join trade unions, which is contrary to ILO conventions.

Both the KCTU and the officially-recognised Federation of Korean Trade Unions (FKTU) want these legal restrictions lifted. Since South Korea became a full member of the ILO in 1991, it has come under increasing pressure to comply with these demands.

The government's attitude to industrial relations has become a test of its readiness to accept standards taken for granted in most other OECD countries.

Senior officials, particularly in the ministry of labour, acknowledge the need to change industrial relations laws to ensure stability and cohesion. But the finance and trade ministries fear a damaging trade union offensive in industry if they give way. Kim Sung-jin, FKTU international secretary, is worried the trade unions could find themselves on the margins if they do not address widespread criticism of their activities.

The apparent deadlock over industrial relations is seen by some observers as a reflection of the widening gap between the speed of the country's economic advance and the inability of its highly conservative social system to adapt to change.

But with South Korea in the OECD, the government and employers will find it harder to ignore demands for reform.

■ **Employment:** by Robert Taylor

Employers call for greater flexibility

Businesses argue that labour laws are undermining their ability to compete globally

South Korean employers, supported by their powerful industrial federation, are lobbying hard for labour market deregulation to improve their competitiveness and make it easier to pursue flexible employment policies.

Employers argue that pressure for higher wages – not reflected in productivity – continue to add costs that are hard to contain in the present tight labour market.

Moreover, they complain they have to finance a wide range of benefits as part of the remuneration package for their employees, such as housing loans and funding the country's employment insurance system.

They also grumble about state restrictions on the hiring and firing of workers. Under the Labour Standards Act an employee cannot be dismissed without legitimate cause and even when this is proved, one month's notice has to be given. Severance pay is compulsory, amounting to the equivalent of at least 30 days of wages per year of service.

State-enforced restrictions on working hours, are also an issue. Workers put in eight hours a day and a 44-hour week regardless of the type of business. Over-time work is permissible under agreement but it must amount to no more than an additional 12 hours a week and payment must be at least 150 per cent of the normal wage.

The law provides workers with from 10 to 21 days of paid annual holiday. Women are permitted paid menstrual leave from work for one day a month.

The range of legally enforceable employee rights reflects official concern to ensure employee security in the workplace. Trade unions acknowledge the safeguards this provides for workers.

However, the Federation of Korean Industries has used this year's presidential industrial relations commission to question whether these traditional regulations make any sense as the pressure to compete in international markets rises.

It has found influential support for its concerns from senior government officials who want to avoid the European-style employment systems they argue have ensured higher levels of unemployment and economic stagnation.

If concessions are made to appease the trade unions, employers insist these should be offset by a more liberal attitude to employment laws. They have focused on a number of issues.

Firstly, they favour the introduction of a labour lease system to meet the need for greater flexibility in the labour market. This would enable them to recruit contract workers to cover temporary demands for extra labour, reducing costs. The industrial conglomerates, or chaebol, are keen on such a reform, and argue it would also provide a solution to current labour shortages in medium and small enterprises.

However, the Korean Confederation of Trade Unions (KCTU) argues such a change could lead to an abuse of employer power. In a recent study of temporary labour, it found 61.7 per cent of contract workers had been in their jobs for more than 12 months and a third had worked in the same company for more than three years.

Encouraging a larger contingency workforce through the development of private leasing agencies would certainly help to reduce labour costs for many employers by freeing them from many of the legal obligations they are required to meet for their permanent employees. But the KCTU argues such a reform would arouse discontent between workers and introduce greater workplace insecurity.

Employers are also calling for more flexible working hours to help cut back overtime. The trade unions seem willing to go some way to meet this demand as long as it goes hand in hand with an overall reduction in the length of the basic working week to 40 hours by the end of the century.

Most important, employers want to see established in law their right to lay off workers on principle, something recent court judgements have encouraged. The trade unions are opposed to such a change and want clear protection for employees from unfair dismissal.

"Such a legal guarantee is needed because of the absence of an effective social welfare system which can provide basic welfare for the dismissed workers between jobs," says the KCTU. "Under the current conditions, a dismissal may mean a permanent exit rather than a relocation in the labour market."

The employers seem unlikely to secure all that they want. It is not only that they face determined trade union opposition. The government remains unwilling to abandon basic protections for workers in the name of economic freedom.

President Kim Young-sam made clear last spring when he established the industrial relations commission that while the employment laws needed to be changed in a "flexible and responsive way", the emphasis needed to be on developing education and training for workers.

A rapid dismantling of current protections to create a more flexible labour market might endanger industrial peace even if it did go some way towards opening up South Korea's often rigid employment system.

Banking: by Khozem Merchant

Domestic rivalry intensifies

Once instruments of the state, the banks are starting to fend for themselves

In Seoul these days, some bankers allow themselves to smile a little. Things can only get better, they say, after more than two decades of low-interest loans to government-favoured industrial sectors where many ventures were commercially risky and bad loans accumulated. "Banks made loans – so called policy loans – which good banks should not have made," says Eugene Yun, managing director of Deutsche Morgan Grenfell in Seoul.

South Korea's bad loans *crisis is unique in that it* was driven not by commercial groups acting independently, as in the property-*loans debacle in Japan,* but by banks acting as instruments of the state.

"For years government intervention with policy loans to designated industries has been the biggest negative factor for the banking sector," says James Han, banking analyst at BZW Securities in Seoul. "But it *has diminished and is* unlikely to be revived on nearly the same scale."

Although the relationship *with government persists,* such as in so-called window guidance on the deregulation of commercial bank interest rates, several developments *suggest banks will have to* fend for themselves as the authorities encourage more domestic competition.

First, merger laws to be introduced next year are likely to lead to consolidation in a country regarded as over-banked. The consequence could be job cuts – controversial in the full-employment economy. Ministry of finance officials say tax benefits will be offered for "rationalisation".

Second, deregulation will nudge along the shift to a market-led banking sector. The first big step in this direction was commercial interest rate liberalisation, started in 1992 and due to be completed next year.

Third, three difficult years of heavy loan-loss provisioning are almost at an end with the expected normalisation (resumption of interest payments) next year of some non-performing loans after "grace" periods of between 10 and 20 years. More than half of all non-performing loans at the Commercial Bank of Korea, one of six big Seoul-based banks that dominate the sector, are "policy loans" that will resume interest payments next year.

As loan-loss provisions fall over the next 18 months, analysts predict strong earn*ings growth for the big* banks. But the legacy of bad debt will be hard to shake off. Three years ago, the government unveiled tough cri*teria on loan-loss provision*ing. The impact was severe. Banks were not only saddled with a mountain of bad debt – which accelerated in the mid-1980s when several construction companies were brought to the point of bankruptcy – they also had to make far greater provisions.

In 1995, 10 top Seoul-based banks wrote down W1,413bn in combined loan-loss provisions, compared with only W894bn in combined net earnings. Between 1993 and 1995, combined provisions for the top 10 banks totalled W4,109bn, compared with net earnings of W2,849bn over the same period, say analysts.

The Office of Banking *Supervision, the government* watchdog, says net income for the country's 25 commercial banks (Seoul-based and smaller *provincials*) to June this year totalled W437.5bn, compared with W867.6bn for the full year in 1995.

Bad loans at the 25 banks amounted to W2,699bn in the first six months of this year, up 17 per cent on the same period a year before, according to the OBS. However, the OBS's definition of bad loans is narrower than the international convention, and foreign bankers estimate the true extent of non-perform*ing loans may be three times* as large as stated.

"Korean banks have suffered from large overhang of non-performing loans in *comparison with advanced* countries," says Song In-Won, deputy director of the OBS supervision department.

Nevertheless, the banks will emerge with stronger balance sheets from their write-downs and squeezed margins. "This is a period of recovery for banks and they should view market forces as being of real benefit," says Mr Han at BZW.

Finally, with large branch networks, CBK and its Seoul rivals are well positioned to exploit an undeveloped retail banking sector. Between 1988 and 1995, household loans nearly doubled to 11.8 per cent of total lending. This trend is forecast to *accelerate and banks are* experimenting with financial products such as mortgages and credit cards as they *start* to compete in the consumer sector.

While South Korean banks still lack the competitiveness of foreign rivals, retail banking is one arena in which they can compete, says Song In-Wong. The big Seoul banks, with access to consumers and potential depositors, and extensive branch networks outside the cities, are unlikely to encounter competition from foreign banks, which say bankers, *confine their interest to cor*porate business.

The move into retail and other new business areas was partly a response to an *easing of links* with the once-favoured chaebols (corporations) which are increasingly opting for direct financing from *capital* markets.

To fill the income gap – exacerbated by greater loan-loss provisions – many banks turned to securities investments and reaped the benefit from a bullish Seoul market in 1994. By mid-1995, the market fell sharply but banks continued to raise their stock holdings to 13.7 per cent of total assets. As market sluggishness continued during the year the dangers of using capital gains *from securities to bolster* profits became apparent.

Lessons have been learned. In the first half of *this year, banks increased* their stock holdings by just 1 per cent, compared with 24 per cent in the same period a year *earlier*. The loss of earnings will be felt this year but by 1997 the impact should be minimal, especially as non-performing loans normalise.

That will be of some comfort as banks address deep-seated internal dilemmas, such as a severe lack of credit risk skills. Years of unquestioning service to government suppressed any culture of risk assessment. As banks brace themselves *for a fiercer world*, the anomaly could prove telling.

Far flung: Daewoo has become the single largest foreign investor in places such as Vietnam *Sarah Murray*

Investment: by John Burton

Business beckons on foreign shores

Responding to higher costs at home, companies have been setting up overseas

In the last three years, Korean companies have broken out of their protected home market and invested heavily abroad.

Daewoo, for example, has become the *single* largest foreign investor in such disparate places as Vietnam, Uzbekistan and Romania, while it recently agreed to take over Thomson Multimedia, the troubled French electronics company.

Samsung, Hyundai and the LG Group are establishing large electronics plants in the UK and are doing the same in other countries, from China to the US.

The arrival of the Korean chaebol, or conglomerates, on foreign shores is reminiscent of the overseas expansion of Japanese corporations in the 1980s and is largely motivated by the same "push/pull" factors.

The push is being applied by high production costs at home. Korean wages are the second highest in east Asia after Japan, while industrial land is expensive. Domestic interest rates of 12 per cent are a further financial burden.

The chaebol's response has been to flee abroad, par*ticularly* to China and south-east Asia, where wage and land costs are much lower. Asia accounts for half of total overseas Korean investments of $17.3bn.

The pull factor is more evident elsewhere. Fear of potential trade barriers has spurred the chaebol to the European Union, while access to advanced technology and a large market have attracted Korean investors to the US.

But the corporate expansion abroad has created controversy at home. Government officials have warned about a "hollowing out" of Korea's industrial base, particularly in the electronics and car sectors. They also worry that failures abroad could weaken the *heavily-in*debted chaebol who would then have to be bailed out by the state.

Economists believe these fears are exaggerated. Overseas investments amount to only 0.67 per cent of Korea's gross national product, while they account for 1.7 per cent of total corporate *investments* – far below the foreign investment levels of Japan or Taiwan. "A series of recent studies show that increased overseas investments contribute to increased national exports and the strengthening of corporate competitiveness," says Kim Seung-jin of the state-supported Korea Development Institute.

Overseas investments by the chaebol (1993-first half 1996)

	US$
Daewoo	1.4bn
Hyundai	1.24bn
Samsung	1.19bn
LG Group	982m

Source: Ministry of finance and economy

Moreover, the chaebol have little alternative to expanding abroad because of market saturation at home for such goods as consumer electronics and cars.

"Foreign investments will promote industrial expansion at home through parts exports," says Lee Hahn-koo, president of the Daewoo Economic Research Institute.

Nonetheless, even supporters of foreign investment acknowledge that mistakes are being made during this early phase of overseas expansion. "The family own*ership of the chaebol means* that investments are mainly decided by the top man and are made quickly without long and careful preparations," says Park Tae-ho, vice-president of the Korea Institute for International Economic Policy, which is affiliated with ministry of trade and industry.

This has led to a "bandwagon effect" as the chaebol *imitate each other* in setting up facilities in the same region. Korean companies have concentrated electronics plants in the UK, for example, and car plants in eastern Europe.

The government recently said it would limit such "unhealthy" competition in overseas investments by carmakers. Shortly after, Daewoo announced it was abandoning a plan to expand a car plant in Indonesia, where Kia Motors has gained a firm foothold.

There is also debate over the chaebol strategy of making investments in emerging markets. "The chaebol are attracted to developing countries because it duplicates their experience in Korea. But what they should be doing is *developing skills to compete* in the tougher markets of the advanced industrial nations," says Mr Park.

Analysts also criticise the chaebol for underestimating the risks in taking over troubled western companies. A recent series of corporate bids have been motivated by the need to acquire technology and market access.

But many of the acquisitions have yet not proved successful, including LG Electronics' takeover of the US television manufacturer Zenith and Samsung's purchase of AST Research, a US personal computer maker. Concerns are growing over Daewoo's planned acquisition of Thomson Multimedia and Samsung's bid for Fokker, the bankrupt Dutch aircraft company.

One weakness in reviving these companies is the lack of global experience among Korean *managers. To give* Korean corporate management a more cosmopolitan outlook, the chaebol are committed to hiring more foreign executives. But this is not likely to help until the chaebol abandon their autocratic management structures in favour of decentralise decision making.

Finance: by Khozem Merchant

Caution prevails

Whether OECD membership will speed the pace of financial reform is still unclear

The notice on the door of meeting room 510 in the ministry of finance and economy said simply: "OECD". It *was the first working day* after Seoul's formal invitation last month to join the Organisation for Economic Co-operation and Development and the assembled bureaucrats were discussing financial liberalisation in South Korea.

So far the process of reforming the country's protected capital markets, the most controversial of the OECD entry requirements for South Korea, has been slow. It is uncertain whether membership will accelerate Seoul's efforts.

Liberalisation would reduce the country's high capital costs, but President Kim Young-sam's government opposes hasty deregu*lation as it could lead to* monetary instability. Presidential elections are due to be held late next year and though Mr Kim is ineligible to stand, he does not wish to hurt the ruling party's chances by further surrendering economic leverage to market forces.

While acknowledging the *long-term benefits* of liberalisation, the authorities remain reluctant to relinquish economic levers in the short term. Gradualism is defended by officials who argue a troubled economy would also damage the OECD's image. "We want a robust South Korean economy within the OECD," says Keum Jeong-Yeon, a senior official at the ministry of finance and economy.

The government argues that dismantling capital controls is dangerous so long as South Korean interest rates remain 6-7 percentage points higher than overseas rates. To quickly relax controls would invite a deluge of foreign capital inflows, pushing *up inflation and causing cur*rency appreciation that would damage exports.

The authorities say complete capital account reform could only be realistically undertaken when the interest rate differential falls to about 2 per cent. Some officials admit the gap may not be narrowed until after 2000.

*Some private-sector ana*lysts sympathise with the authorities' dilemma. The government has "valid concerns in resisting pressure to dismantle controls in the current situation," says an analyst in Seoul. "I don't believe it has the political courage to press ahead with this aspect of liberalisation *in the short term.*"

At the same time, Korean economists say the government must grasp the political nettle, despite criticism from the political opposition in Seoul. "Many [in the opposition] view financial liberalisation as a cost of entering the OECD. But it should be viewed as an opportunity," says Oum Bong-sung, director of the Korea Development Institute.

Financial liberalisation, for example, would help *reduce the heavy debts of* leading Korean conglomerates, which normally have a net debt/equity ratio of 150 per cent or more, by improving access to cheap capital.

Under the government's step-by-step "schedule for financial reform", foreign banks and securities companies will be allowed to set up *subsidiaries in Korea from* December 1998, giving foreign institutions greater latitude for raising won funds locally, including from the central bank, where access has been severely limited.

Foreign banks argue that such a relaxation is necessary since they are obliged by the government to lend 35 per cent of their loans to small and medium sized enterprises. This, they argue, amounts to de facto support of a commercially unattractive sector which has been starved of investment for the past three decades of industrialisation when resources were focused on the chaebols.

Foreign institutions are also seeking an easing of limits on portfolio investment, while South Korean companies also support a lifting of capital controls to gain access to a pool of cheap foreign funds.

The government has conceded some ground by agreeing to abolish, from December next year, a rule requiring South Korean companies to finance up to 20 per cent of their foreign investments from domestic sources or *their own capital.*

The bond market remains almost closed to foreign investors, a source of intense irritation. Foreign investors are permitted to buy long-term, non-guaranteed bonds in SMEs, though this has not provoked an enthusiastic response. Further easing is promised from 1998.

Access to the stock market is being relaxed too. The current ceiling on aggregate foreign equity investment has been raised to 20 per cent which could help revive the Seoul index, down by 36 per cent since October 1994, the end of the last big rally. The ceiling will be raised by 3 percentage points a year *until* 2000 when it will be abolished. Individual shareholder ceilings will be raised from the current 5 per cent to 10 per cent by 1999.

In June, the government unveiled additional measures designed to reduce official interference with market price fluctuations and initial public offerings. In *the future, the issuer and* underwriter, and not government, will determine the volume, price and timing of equity offerings.

The government's cautious approach suggests it aims to comply with OECD requirements but at its own pace. Room 510 is likely to see many more OECD sessions.

New mergers law : by Khozem Merchant

Phenomenon a necessary evil

While viewed by many with alarm, hostile takeovers may help create greater efficiency

South Korea's new domestic mergers law is modestly described by one official as a "tidying up exercise". But the rules could create havoc as a new phenomenon – the hostile takeover – becomes a possibility. The legislation is politically controversial because it could lead the way to radical restructuring *and large lay-offs, unprece*dented in full-employment South Korea.

The law, which comes into *effect next March*, months ahead of the presidential election and as the economy slows, has provoked heated debate in the national assembly, unease within vulnerable businesses and opposition from powerful unions fearing job losses.

"The criticism is understandable," says Kwon Tae-Shin of the ministry of finance and economy. But he says the changes are "a necessary tidying up job" *designed* "to introduce a clear and transparent set of rules" to an activity often shrouded in secrecy. Word of mouth agreements are common and there is little accountability, he says.

However, the law highlights a broader concern associated with South Korea's maturing economy. *Supporters say the legisla*tion will help remove inefficiencies in the economy by focusing attention on the many weak and uncompetitive companies protected through complex share-holdings by powerful chaebol.

Under the new system, companies must declare to the regulatory authorities a stake exceeding 10 per cent in a target company. A 25 per cent holding automatically triggers a formal takeover bid, at which point the predator must raise his holding to at least 50 per cent. An unsuccessful bidder *could still be allowed to* exercise some management influence.

All 722 listed companies on *the Seoul market* except 30-40 so-called "national interest companies" are fair game for takeover, though the regulatory authorities will have the final word. "We do not envisage too many rejections," says Mr Kwon. The new rules, says Mr Kwon, also apply to foreign companies targeting local ones, though realistically it is unlikely they would pass the scrutiny of the regulatory authorities.

Most affected will be the banking sector for which the government is preparing supplementary laws to encourage consolidation. Most of the country's 25 commercial banks are emerging from a period of heavy loan-loss provisions and some are regarded as inefficient and vulnerable.

Most analysts believe the legislation is long overdue and that banking will be the first battleground. Banks, which despite their nominal private status continue to guided by the ministry of finance and economy, will be under intense pressure to consolidate under the new law, which empowers the government to enforce the merger of weak institutions with stronger ones.

The law also allows for the appointment of outside directors with a say in mergers, budgets and sanctioning loans. Banks oppose outside *directors and believe the* measures may be hasty.

"It is controversial but our explanation is that banks *need to rationalise*, merge and improve efficiency. Decisions on jobs cuts will be left to the banks but the government will give carrots [for lay-offs]," says Keum Jeong-Yeon of the ministry of finance and economy. The jobs cuts measure comes ahead of an extensive examination of the rigid labour market by a presidential commission which is expected to endorse new rules for dismissing workers.

Analysts believe the half dozen big Seoul-based banks that dominate the sector and are big employers, would bid for their smaller provincial rivals, absorbing extensive branch networks that would strengthen their *position* as competition intensifies in retail banking. Analysts predict 3 to 4 mergers over the next 18 months and say that the exercise is essential for "management discipline".

Central bank officials say that banks will be offered incentives to ease the pain of jobs cuts, a move designed to appease powerful financial sector unions.

Analysts say many interested parties are already mobilising funds for the new era. The *list is likely* to include the chaebols, which are currently limited to a 4 *per stake in banks. But pub*lic opinion and bureaucracy are likely to ensure the ceiling is not raised, says Lee *Hahn Koo*, president of the Daewoo Economic Research Institute.

"It would be unwise at this time to blur the line between ownership and management," he says hinting at chaebols' current unpopularity. "But as shareholders, chaebol should be given the opportunity to improve banks' efficiency, perhaps by voting collectively with other chaebol, he says. Many believe the chaebol would use banks *to serve their* own interests rather than develop the universal banking system the legislation aims to promote.

The mergers law breaks new ground, commercially and culturally: in South Korea's export-driven economy, the broad consensus favours allocation of scarce *resources to* manufacturing, rather than squandering it on speculative takeovers. And South Korean companies with their blurred and narrow ownership base, lack the shareholder "activism" of Anglo-Saxon economies that drove the merger mania in the US and UK in the late 1980s.

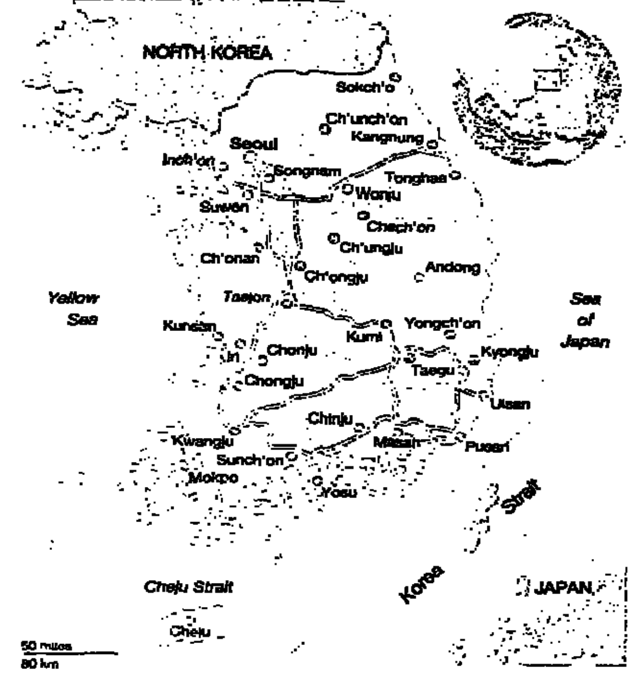
"There is still a cultural groundswell against mergers and the Anglo-Saxon system, but we have too many loopholes *which favour the com*mercially powerful. *We need* clarity," says Kwon Taw-Shin. Analysts say merger *activity will remain modest* until the culture of shareholder value develops. This culture could ultimately deliver the efficiencies.

Yet the Anglo-Saxon system is not totally alien to Korean companies. They have bloodied their fingers in takeover battles overseas on a more level playing field in the fight for global market share. Typical was Daewoo Electronics' acquisition last month of Thomson Multime*dia of France in a $1bn* deal after an eight-month battle with a rival European group.

At home the rare instances of mergers have either provoked political opposition or resulted in the partners simply making a mess of marriage. For example, Samsung, the electronics chaebol, two years ago made a bid for Kia, a car *manufac*turer, but was stopped by the government. In the 1980s Seoul Trust Bank merged with First Bank and to this day they run overlapping services. The precedents are not attractive.

- **Area:** 99,391.8 sq km
- **Population:** 44,453,179 (1994 official estimate, mid year)
- **Currency:** Won
  1995 average $1=Won771.056
  Nov 7 1996 $1=Won828.25
- **Languages:** Korean
- **Main towns and population:** (1990 census)

Seoul (capital)	10,612,577
Pusan	3,798,113
Taegu	2,229,040
Inch'on	1,817,919
Kwangju	1,139,003
Taejon	1,049,578



	1995	1996 (f)
Total GDP, real terms (Won billion)	257,536	274,993
Real GDP growth (annual % change)	9.0	6.8
GDP per head ($)	10,155	10,673
Inflation (annual av. % change in CPI)	4.5	4.8
Average hourly earnings (annual % change)*	13.0	9.9
Agricultural output, real (annual % change)	2.8	1.0
Industrial output (annual % change)	10.3	7.1
Services output, real (annual % change)	8.6	7.3
Money supply, M2 (annual % change)	15.6	14.4
Foreign exchange reserves ($bn)	32,678	37,400
Total foreign debt ($bn)	74,619	93,428
Debt service (% of exports)	7.0	8.3
Government spending (% of GDP)	19.9	20.1
Current account balance ($bn)	-8,251	-15,705
Merchandise exports ($m)	123,203	133,250
Merchandise imports ($m)	-127,949	-143,100
Merchandise trade balance ($m)	-4,746	-9,850
Main trading partners (1994)**	Exports	Imports
US	21.4	21.1
Japan	14.1	24.8
Hong Kong	8.3	n/a
China	6.5	5.3
Germany	4.5	5.0

* manufacturing ** share of total trade (f) forecast

Sources: EIU; Europa

Infrastructure: by Khozem Merchant

Serious system overload

Lack of capital may stall Seoul's ambitious plans to upgrade the transport network

Football travels well, but footballers may not when South Korea co-hosts the World Cup in 2002 and they encounter inadequate transport. Joint developments between government and business aim to improve this but lack of funding may prove a obstacle to Seoul's plans to install a transport network worthy of an OECD economy.

The government says $445bn will be needed from next year to 2011 for its ambitious list of infrastructure projects, peaking at 3.5 per cent of gross domestic product by 2001 before dipping to 3.0 per cent a decade later. The expenditure would include a 10 per cent contribution from the private sector. Yet the government already estimates a shortfall of $19bn by 2001 and $42bn by 2011.

As South Korea's economy grew 13 per cent annually in the mid-1980s, transport was neglected. Less than 2 per cent of GDP was spent on transport – low by OECD standards.

Shortage of capital has been central to the problem in part because of the country's closed financial markets. So the government has turned to private sector.

While industry has delivered the country wealth, it has in turn been poorly served by its transport network, which with high labour, capital and land costs, hurt competitiveness. Distribution costs account for 14.3 per cent of turnover in South Korea, compared with 8.8 per cent in Japan and 7.7 per cent in the US.

The country's appallingly congested roads – costing industry $11bn in 1994 in wasted time and vehicle service charges – are in for more jams as the number of cars rises from 8m in 1995 to 23m in 2001. Ports are only able to handle 68 per cent of cargo deliveries, costing the industry $800m a year in delays and lost earnings and Kimpo airport, South Korea's largest where passenger traffic grew by 24 per cent last year, is operating at full capacity.

"These burdens make South Korea relatively uncompetitive, which it cannot afford at a time when the economy is slowing," says Ham Dee-Young, head of transport planning at the department of construction and transport in Seoul. He says the government's building programme includes high-speed railways, airports, ports and roads, creating a network which would free roads for commercial traffic by encouraging individuals to switch to rail. How this will be financed remains unclear, however.

Three broad revenue areas have been identified:

- Higher fuel levies;
- Higher tolls and user charges; and
- Proceeds from privatisation, although how much this will yield is unclear given the delay in sell-offs.

Additional funding will be generated by government bonds and use of "public funds" – thought to refer to the use of public pension funds, although government opacity on costing has clouded the issue.

The private sector is another source. Last year, 10 projects involving the private sector were initiated, covering roads, high-speed rail links, light-rail transit, expressways and a cargo terminal at the new Seoul airport. Of the $135bn these projects will cost, the private component is $11bn. Private companies will be invited to participate in another seven projects this year.

The government has eased some capital market restrictions by allowing participating companies to raise overseas funds of up to $5m per project to import capital equipment. But direct foreign investment will have to wait until the authorities liberalise the capital markets under the terms of South Korea's OECD entry.

Private companies will participate as part of consortia, says Mr Ham, in "build, transfer operate" and consortia will have operating rights for 30 years.

While some projects will offer a rate of return lower than, say, domestic bonds, private-sector companies are attracted by associated benefits, such as tax concessions and the right to develop commercial property and housing estates along the route.

The transport strategy focuses on three areas: road and railways, airports and ports. By encouraging construction away from points of congestion, the government also hopes to achieve a regional balance in economic growth – overlooked by planners in the past decade.

A regional transit hub is planned with an airport to be built on reclaimed land at Inchon, 52km from Seoul, with an associated port and business centre. Costing $12.5bn over two stages and due for a phased opening from 2000, the airport will compete with Kansai in Japan, Hong Kong and Shanghai as a regional transit hub, says Mr Ham. The government aims to attract over half the investment from the private sector.

More ambitious is the Seoul-Pusan high-speed rail link, a wholly government-funded scheme costing $14bn and forecast for completion in 2002. Seoul and Pusan lie at either end of the economically dominant north-south corridor in which 70 per cent of the country's industrial activity takes place and where the bulk of the 44m population lives.

Planners promise a two-hour service between the capital and Pusan, a journey through mountains which takes 20 hours today.

Yet the project is already behind schedule due to construction problems and rising costs, and football fans hoping to use the high-speed railway to shuttle between World Cup games in Seoul and Pusan may be forced instead to rely on the current crowded train system.

The role of women: by Robert Taylor

Ancient prejudices

The status of women in Korean employment and society remains woefully low

Second class citizens: few women reach the higher ranks of industry, finance and politics

South Korea – more than most countries – is a male dominated society. "It is going to take a long time to change the basic attitudes of men towards women," says Mih Yo Roh, vice-president of the Korean Women's Development Institute, a state-run body committed to improving the status of women in society.

Mrs Roh says women are subject to sexual discrimination, forced to leave their jobs when they marry and have to retire earlier than their male counterparts. Women's wages average 55 per cent those of men and few women reach the higher ranks of industry, finance and politics.

The state has promised action. A five-year plan aims to further the objectives of the Women's Development Act, passed by the national assembly recently and funding is being provided in the 1997 and 1998 budgets to further the process. One measure aims to give more mothers access to childcare facilities. At present only about 19 per cent of Korean children under six have access to facilities. The state aims to raise this to 60 per cent.

Other measures include targets for female employment in the public sector, with quotas in middle-ranking administrative jobs and encouraging schools to educate girls in industrial design and computer skills. Science and engineering will be developed in women's universities.

Such developments need to be put in perspective. The percentage of Korean women in the employed workforce was 48.3 last year, compared with 37 per cent 20 years ago. Most women are in low-paid jobs in manufacturing and services.

South Korea is not unique in its under-use of women at work. But disturbing trends provide evidence of more widespread oppression than elsewhere. Violence against women, especially abuse by husbands of wives, is growing. Whether a law passed two years ago enabling a third party to report rape by a relative to the authorities will make a difference is unclear. But divorce remains taboo and women alone are treated as pariahs. Women can be trapped by family structures in which the male reigns supreme.

Most alarming is the preference for sons over daughters seen in the country's fertility and population statistics. Women enjoy average life expectancy of 76 years compared with 68 for men. But just over half Korea's population are men not women. The birth rate is 1.7 children per family.

Pressure to produce male rather than female offspring can be seen in the ratio of boy to girl births. This is 106.1 to 100 for the first child, it rises to 205.9 to 100 for the third child. This suggests the widespread aborting of female foetuses, a trend that is increasing. To combat this, a recently introduced law aims to deprive doctors of their licence to practice if they carry out tests on women to discover the gender of their foetuses.

Many in Korea blame Confucian values with its glorification of men over women for this. "It teaches that women's place is in the home and and women are an inferior species to men," says Mrs Roh.

Social change accompanying rapid urbanisation and the development of a more service-oriented labour market may help modify such prejudice. State backing for an end to gender discrimination may also help. A far more effective stimulus for change, however, may be South Korea's serious labour shortage as however resistant South Koreans are to employing women, their dislike of employing foreigners may prove stronger.